

RHETORIC, REALITY AND RIGHTEOUSNESS

The Ideological Debate Between the Farm Organizations  
and the Grain Trade  
1917 - 1935

by  
Paul D. Earl

A Thesis submitted to the Faculty of Graduate Studies in  
Partial Fulfillment of the Requirements of the Degree of

DOCTOR OF PHILOSOPHY  
University of Manitoba  
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CHAPTER I  
INTRODUCTION

THIS IS A STUDY of competing ideologies. More precisely, it is a study which traces the course of the particular ideological debate which took place in Western Canada, ca. 1917 to 1935, between those who believed that wheat was best marketed through the Winnipeg Grain Exchange, and those who thought that this institution should be replaced by a centralized, single desk, selling system. It is, moreover, a study which has a particular focus on the moral dimension to the debate. As we shall see, the attack on the open market was motivated not only by economic considerations, but by ethical - and ultimately religious - ones as well. One cannot understand the debate, nor particularly the fervour with which it was pursued, without an understanding of the ethical and religious basis from which the critique of the status quo was mounted.

It was the farmers who initiated the debate, and who mounted what eventually proved to be a successful challenge to the status quo, and it was they who left behind them the most extensive record of their criticism. In the end, they dramatically altered their world, convincing politicians that the structure of the grain industry had to be changed

from one largely privately owned and operated, to one predominantly under state and cooperative control.

As farmers argued for this transition, they made some extravagant claims about both the corruption they saw in the existing system of grain marketing, and the benefits they anticipated from their cooperative proposals, and they tended to characterize the opponents to their proposals as fools or knaves or both. But it is not surprising that extravagant claims were made. It was, after all, something of a "holy war." As the *Grain Growers Guide* put it: "Co-operation is a religion, pure and simple. It is something which all your senses recognize and long for in proportion to the good that is in you."<sup>1</sup>

Moreover, the egregious claims of the "winning" side not only coloured the debate at the time, but have coloured virtually every scholarly treatment of it since. Harold Innis for example, in his rendering of A.J. McPhail's diary, wrote that: "It was not for McPhail to see the promised land," but when the "struggle" reached its conclusion, an "abutment had been built in the bridge to security across the morass of violent fluctuations and uncertainty of income in the Prairie Provinces."<sup>2</sup> To suggest, as this passage does, that cooperative and state marketing systems represent a "promised land," while the open market created a "morass"

of price fluctuations, is marvellously poetic; but it cannot pretend to be objective scholarship.

It is time, therefore, for a more balanced treatment. It is time for a study of the debate of the 1920's and 30's which recognizes that the untrammelled operation of the open market created serious problems for farmers, but which does not, perforce, assume that all light, truth and purity lay on one side. It is time for a study which provides a sense of proportion about the strengths and weaknesses of the arguments raised in the debate, without denying the moral authenticity of the open market on the one hand, or the legitimacy of the farmers' problems on the other. It is time, in short, for a study whose objective is to disentangle the rhetoric of debate from the reality of the market systems which each side sought to defend or to revile, and that is precisely what this study is intended to do.

In summary, the arguments made in this thesis are as follows:

First, it argues that both the grain trade and the farmers - although neither side acknowledged or even realized it - were arguing ideologically. By this is meant that both sides argued from a set of moral assumptions which underlay what they thought were objective truth statements

about human nature and society, but were not. Ideologies, we will see, arise from social stress, and are created when effective analyses of these stressful situations cannot be found within the prevailing patterns of thought: i.e., within the accepted social, political or economic theories.

Moreover, the thesis develops the position that ideologies are built, not only upon different value judgments, but also upon the selection of different elements of social reality for attention and study. After all, whether one believes human beings are naturally cooperative and benevolent, or naturally competitive and selfish, one can find abundant evidence to support either view.

Secondly - and notwithstanding the first point - it argues that some statements proceeding from an ideological position can be subjected to verification. Moreover, when the farmers' claims about their marketing programmes are subjected to such verification, they are found to be false and mistaken, and much of the rationale for their programme falls to the ground. In this sense, they were "ideologically blinded," making false claims about what their marketing programme could and did achieve. This does not, however, invalidate their ideological assumptions, and indeed, as long as the farmers stuck to philosophy, they

were generally on ground which was defensible, even if the evidence for or against their position was ambiguous.

Thirdly, the thesis argues that the farm movement was ideologically blinded in another sense, viz., that they confused self-interest with the broader interests of society. Indeed, they held a vision of themselves as selfless democrats, freed from the profit motive, and therefore motivated solely by service to humanity. In turn, they were imbued with a self-righteousness which blinded them to what Reinhold Niebuhr called "the irony" and "ambiguity" of history: the fact that institutions built to combat perceived abuses can themselves become sources of injustice. Large and powerful organizations always confuse the broader good of society with selfish goals of their own, and they seek to advance those goals without due regard to the interests of others. This possibility was ignored by the farm movement, and the cooperative and state organizations which they built to control grain marketing were seen by them as unalloyed powers for good.

Finally, the *leit motif* of this study is the degree to which human thought and language is metaphorical in nature. We shall see how sociologist Clifford Geertz argued that metaphor was an indispensable instrument in the development and promulgation of an ideology. However, we shall also

explore how metaphor invades all aspects of our language, and how some scholars have argued that, as economist Donald McCloskey put it: "Perhaps to remove metaphor is to remove thought."<sup>3</sup>

The reader must be cautioned, however, that the study is not quick to come to these arguments. Before dealing with the controversy itself, considerable groundwork is laid in Chapters II to V on both the nature of ideology, and the sources upon which the farmers drew in crafting their proposals.

With this brief explanation of what the study is about, let us turn to a brief review of the background from which the events under consideration emerged.

THE ROOTS OF THE DEBATE ITSELF go back to the nineteenth century, and its branches still flourish today,<sup>4</sup> but it is of particular interest to follow the discussion through the inter-war period when countries around the globe were devising policies to protect their agricultural sectors from price fluctuations in free markets.

The battle lines were not clear cut. Predominantly, the major Canadian prairie farm organizations of the day stood in favour of the single desk, while the Winnipeg Grain Exchange and the federal government supported the status

quo. But Thomas Crerar, President of United Grain Growers, and historically a proponent of agricultural reform in the West, was not supportive of a compulsory wheat board, and the Manitoba Legislature refused to pass enabling legislation for the creation of a board in 1922. Moreover, there was considerable disunity among those who fought for the idea of single desk selling. The Wheat Pools accepted some of the ideology of the right - even portraying themselves as good businessmen emulating the actions of other businesses which had combined for purposes of avoiding market risks. At the same time, however, they melded this with a much more radical critique which questioned the moral legitimacy of the "competitive" system, holding that it inculcated destructive beliefs and behaviour which were at odds with the "true" character of man and society.

It is important to recognize therefore that to portray a strict polarity between the supporters and opponents of the open market is to create an abstraction which does not conform to reality. In fact, there existed a wide, ambiguous and hazy spectrum of opinion. Farmers who testified before the Royal Commissions of the time expressed views that were both more and less critical of the Exchange than were those of the major organizations, while at the same time, some grain trade witnesses were quite sympathetic to the problems of the farmers. Moreover, Conservative

Prime Minister R.B. Bennett came to support centralized selling, and it was his government which introduced legislation to create the Wheat Board.

Despite this wide range of opinion, the available policy options forced the debate to coalesce around two irreconcilable courses of action: either to support the continued existence of the open market, and to work within the ideological framework of liberal economics in seeking solutions to farmers' problems (as, incidentally, grain producers did in the United States); or, to accept that the farmers' problems could only be addressed by fundamentally restructuring the marketing system and doing away with futures trading on the Winnipeg Grain Exchange. From 1924 on, the most powerful proponents of the latter, the three Prairie Wheat Pools, conducted a sustained polemic against the grain trade and its practices, and the focus of this polemic was the Winnipeg Grain Exchange itself. In 1957, Vernon Fowke summarized the farmers' position in the following terms:

The central criticism which emerged then and which western wheat growers would argue as fully valid to the present day is that the price received by the producer for his grain when disposed of through open market channels is largely at the mercy of the speculator ... [T]he supply of and the demand for futures for speculative purposes were independent of wheat movements ... and were, in short, determined exclusively by the decisions of speculators whose sole concern was the maximization of speculative profit.<sup>5</sup>

Adumbrating Fowke's assertion, the 1925 Royal Commission noted that "the farmers' complaints against the present method of marketing grain focus upon the Winnipeg Grain Exchange as the head and shoulders of the present system."<sup>6</sup>

To the proponents of central marketing, single desk selling was expected to correct two major failings of the open market system: one, that the system did not provide the farmer with a fair price for his wheat; two, that the system was immoral. Each of these deserve a few words of introduction.

The unjust price yielded by the open market was laid to three causes. The first was that the open market was "disorderly" and chaotic in its operation. It was inconceivable to farmers that the true value of their product was being discovered in all the screaming and yelling in the "wheat pit," particularly when prices wavered up and down in inexplicable ways seemingly unrelated to any change in "real" supply and demand. Nor could Friday's low price be fair, when Monday's price had been ten cents higher.

On top of that, when they began to form some idea of how the futures market operated, they became convinced that physical wheat was overwhelmed by "paper" wheat - futures

contracts which traded in volumes far in excess of actual goods available. The market, it seemed, had to reflect more the demand for "wind" bushels than the real thing.

The second reason for the injustice of the open market system was that between producer and consumer were stationed middlemen who contributed nothing to the value of the product, but who managed nevertheless to appropriate an undue share of the proceeds. These leeches produced nothing, but profited nonetheless by taking control of the product between producer and consumer, and extracting an ill-gotten gain from shrewd buying and selling.

Thirdly, the economic injustice of the marketplace was laid to the fact that speculators on the Grain Exchange manipulated the market to their own benefit. Fowke's analysis, from which the above quotation is taken, represents one of the more sophisticated efforts to articulate this position.

These three were not always articulated clearly and distinctly from one another, nor did everyone subscribe to them all, or put them in the same order of importance. But all may be discerned within the arguments which farmers advanced to explain the sense of injustice they felt, and it was these failings that single desk selling was expected to correct. All the machinations of futures markets and

middlemen would be by-passed and, cognizant of the "real" supply and demand situation, the central desk would establish a "true" value, fairly determined in relation the producers' costs and the consumers' ability to pay.

It should be noted that producers in Western Canada were not alone in identifying the problems created by the trading of grain in open markets. Farmers and their representatives the world over were coming to realize just how vulnerable they were to price instability within a *laissez faire* system. Agricultural products are notorious for what economists call inelasticity of short run supply and demand. Small shifts in either can have enormous influences on prices. Thus gaining protection from market risks was (and still is today) a matter of paramount importance to farmers. Bearing the brunt of the manufacturers' success in surrounding themselves with comfortable tariff walls, while being more susceptible than other sectors to the risks of price fluctuations in a free market, farmers realized that new institutions had to be forged for their self protection.

Of course, the charge that there were injustices in the open market system did not go unchallenged. The grain trade was quick to defend the constantly fluctuating prices as reflections of the imprecision with which "true" supply and demand were known, and as healthy corrective reactions to

the steady flow of information on a constantly changing world market. The market should, could and did react to a thousand short- and long-term circumstances that might affect the flow of product from point of supply to point of demand. Moreover, the mechanism of futures trading, it was argued, actually dampened the price changes. Without them, grain merchants would have been vulnerable to even more erratic fluctuations, and would have had to absorb the accompanying risk by paying the farmer less. As for those people disparagingly characterized as "middlemen," they in fact performed valuable services - booking freight, handling, grading, brokering between buyers and sellers - in moving the grain from the producer to the consumer. Grain sitting in a field in the Prairies was worthless, and without the specialized skills and knowledge these people brought to bear, the grain would have mouldered in the granary.

Supporters of the Exchange likewise reacted angrily to the charges of price manipulation. They argued strongly before the three inter-war Royal Commissions that a properly functioning futures market was not open to the kind of manipulation that the farmers suspected; nor was there any evidence to suggest that such manipulation occurred in Winnipeg. To them, the Exchange was nothing more than a meeting place where buyers and sellers - business people of

the highest integrity - congregated to trade grain, and the open nature of the trading as it occurred, chaotic though it may have seemed from the spectators' gallery, precluded the possibility of sharp practice.

Moreover, the architects of the Exchange were justly proud of what they had built. In less than two generations from 1870, Winnipeg had grown from a frontier town into one of the world's most important wheat pricing points. By 1914, the Canadian grain industry had earned a well-deserved pride of place as a "world class" trading centre for a world commodity.<sup>7</sup> Accordingly, there was an understandable resentment at having the integrity of their members questioned by people who, it was felt, failed to understand (and often deliberately misrepresented) the mechanics of the market.

However, in the eyes of some farmers, the alleged inability of the open market to return a "fair" price was not its only, or even its most reprehensible, failing. Behind this injustice was thought to lie a fundamental and systemic immorality associated with *laissez faire* itself. This immoral quality is not to be confused with the dishonest manipulation of the market referred to above. Rather, competitiveness was seen as a fundamentally

corrupting force, and it was against this essential immorality that the cooperative movement set its face.

Perhaps the most fascinating - and most important - aspect of the debate was the role which religious belief played in supporting the position taken by farmers. This role began with a set of ideological assumptions which were held in common by both the cooperative movement and the social gospel movement which had sprung up within the Protestant church, particularly (but not exclusively) in America. Both thought human beings were inherently cooperative, and both believed competitiveness to be false and corrupting. Beyond that, however, social gospel thought incorporated a utopian vision of society within which abolishing free market institutions was seen as the means of creating a new society of justice, peace and harmony. This current of thought flowed into the farm movement and grounded its critique of society in a religious framework - particularly in the 1917 to 1925 period. The two movements shared not only a common set of ideological assumptions, but a common sense of "crisis" which was to bring revolutionary change to society, and a shared sense of purpose - of having been singled out as the instruments to bring in "the Kingdom of God on earth."

One of the major prophets of this vision of a Social Christianity was Salem Bland, Methodist minister, author, lecturer at Wesley College in Winnipeg, and firebrand speaker at grain grower conventions ca. 1905 to 1918. Richard Allen, in his introduction to a recent re-issue of Bland's *The New Christianity*, captured the prophetic vision which he imparted to the agrarian movement:

The primary impediment to the full realization of democracy and brotherhood, Bland argued, was modern capitalism based on private property rights in industry and motivated by a competitive individualism. The distinctive task of the age, then, was the abolition of capitalism. For Bland, that was as much a religious as a secular objective, for ... salvation was not a matter of heavenly reward but the restoration of right relations among men on earth. Industrial combinations, cooperatives, trade unions, public ownership ... and so on, all taught men to think socially; and therefore to attack and discredit them was to oppose what Christianity was all about.<sup>6</sup>

Here, in its most pure and extreme formulation, is the vision which informed the agrarian view: eliminate the profit motive; eliminate greed and self-interest; free the mind to be educated to the new ethic of cooperation and social service; thus usher in the new day which in its most pure form can only be expressed in terms of the Kingdom of God on Earth. While, as noted above, the Wheat Pools did not subscribe exclusively to the more radical economic critiques of the sort advanced by Dr. Bland, the ethical and religious vision was a powerful influence on farm leaders of the time, and provided a religious grounding for the more

secularized moral vision adopted by the cooperative movement.

Was there a similar kind of religious ideology on the other side of the debate? There was indeed, but on religious matters the grain trade representatives were either ignorant or silent. However, one of the more interesting twists of fate brought into the debate the person of Sir Josiah Stamp, economist, business executive and a man acknowledged in some circles at least as an authority on the relationship between economics and the Gospel message. Stamp was an Englishman who, in 1931, was asked by R.B. Bennett to chair what was to be the second inter-war Royal Commission on the grain trade. Sir Josiah was not wanting in Christian concern for the poor and marginalized. But his translation of that sympathy into prescriptions for social action was significantly different from that of the social gospellers and their agrarian disciples. To Stamp, a regenerated society had to start with regenerated individuals, and he thought that most of those who tried to apply Christian principles to economic relations were muddle-headed sentimentalists. Moreover, Christian economics was as foolish as Christian physics:

So much of the subject matter has no possible moral or ethical bearing that it is technical or impersonal. The essential feature is the exchange of goods and services, and these involve technical, almost mechanical, problems of exchange which are no more moral than a locomotive or an equation.<sup>9</sup>

Sir Josiah did not think that economic practice is quite so value-free as this passage indicates, for in the succeeding paragraphs he said that "the ethical problem lies immediately alongside - and no answer can be translated into practical conduct without the addition of this element."

Not a whisper of the religious dimension to the debate can be detected in the transcript of the 1931 Commission's hearings, but it is tempting to imagine the informal chats that Sir Josiah might have had over the dinner tables of his hosts about the vision which lay behind the views of many of those who appeared before him.

It is important to recognize that, when the agrarian leaders moved the debate to this level, they implicitly raised questions about the meaning of history itself and about the ultimate qualities of human nature. By describing their aspirations in terms of building the Kingdom of God on Earth, they presumed it to be a proximate and realizable goal, and thought that human beings possessed the spiritual and mental resources necessary to achieve it.

However, they did not really enter this debate in any organized way. The currents of thought moving within Canadian Protestantism were extremely complex,<sup>10</sup> and while the agrarian leaders were awash in these currents, they were

not close students of them. So they appropriated what suited their purpose and their individual dispositions to support their social goals. One can find countless references to the connection which farm leaders felt to exist between Christian precepts and cooperative practice, but few of these references go very deeply into the precise nature of the connection.

Moreover, there was a wide range of expression of these beliefs. In the writings and speeches of Thomas Crerar, there are only scattered references, mostly of a very abbreviated sort, noting a kind of identity between cooperation and Christianity. But Crerar's most complete statement of his own beliefs, a *Grain Growers' Guide* article entitled "My Confession of Faith," is silent on the matter. W.R. Wood, one time secretary of the Manitoba Grain Growers' Association and former Presbyterian minister, on the other hand, was effusive in his descriptions of the kind of world which cooperativism, guided by Christian principles, would bring, but his writings are marked by a sentimental kind of utopianism, which seemingly ignores the hard reality of human self-interest. Probably the best known of the farm leaders who explored these linkages between faith and society was Albertan Henry Wise Wood. Almost completely at odds with the temper of both secular progressivism and social gospel thought, Wood did not accept the essential

goodness of human nature, but thought its inveterate selfishness had to be controlled and channeled, and he promoted cooperation primarily on grounds of countervailing power. Paradoxically, however, he also argued that society *in toto* could be perfected if business were conducted on the basis of Christ's teachings.

Scholarship awaits the full exploration of the relationship between social Christianity and the farm movement. The important thing from the point of view of this study is not precisely which concepts flowed into the farm movement, but simply the degree to which the social gospel movement supported the farm movement, how they shared certain language and ideas, and how both fell prey to common illusions about human nature and its perfectibility, and were, in a sense, "ideologically blinded" as a result.

The debate therefore proceeded at two levels. The first tended to be technical in nature, concerning itself with issues of price and pricing policies. Did the producer get a better price when wheat was sold to buyers in an "orderly" fashion by a single desk, and the proceeds were pooled? Did the single desk seller, by refusing to use the futures market, absorb and pass back to the producer an undue cost associated with price risk? Or, alternatively, did the grain trade, which took advantage of the price protective

mechanisms of the futures market, thereby cut margins to the bone, and offer astute farmers the freedoms and opportunities to market their grain at the best possible prices? Were grain handlers, railways, brokers and even speculators fairly compensated for providing a valuable service? Or were they unnecessary (and often unscrupulous) leeches who bought and sold grain and appropriated some of the proceeds to the detriment of the farmer? These were the technical questions argued in speech, press and pamphlet for nearly two decades.

It must be said at once that it is something of a misnomer to characterize these questions as entirely "technical" in nature. As we shall see in Chapter III, ideological and normative considerations enter into economic debate at a quite early stage - certainly much earlier than the grain trade representatives of the time would have been comfortable acknowledging. Those who fought for centralized marketing, feeling themselves to be victimized by the status quo, and being those who took the debate to the moral level, were quicker to appreciate the ethical dimensions. But although ethics and grain prices cannot really be divorced from each other, there were technical aspects to the arguments which both sides made about prices, and after 1924, the Pools and the trade did a great deal of

statistical analysis to demonstrate the superiority of each marketing system.

The second level of debate was the moral level. And, just as the technical issues cannot be separated from the ethical and normative, neither do moral issues stand independently of the issues related to price. The moral indefensibility of the open market was, to some extent at least, predicated on highly debatable assumptions about the way a free enterprise economy functioned. The freedom granted to the individual to make economic decisions was often uncritically taken as identical to the power to enforce these decisions on others - in particular to set the price of grain to the producer and the consumer at levels which allowed unscrupulous middlemen to earn enormous profits; likewise, the moral superiority of pooling and centralized selling was inextricably linked to the higher prices which, it was argued, would accrue to the deserving farmer. Much of the alleged moral superiority of single desk selling would have been discredited had the farmers' pricing theories been shown to be false.

The argumentation raised by both sides in the debate, at the moral level certainly, and at the technical level far more than they knew or cared to admit, could be characterized as the process of "legitimization": the

defense of one's interest in the face of valid criticism from one's opponents. And yet the term legitimization must be used with some care, for it carries with it that whiff of dishonesty - as if the position thus defended is not quite legitimate in itself, and requires some kind of deception to cloak the ugly truths of self-interest. Self-interest there most certainly was - on both sides of the debate - and neither was blameless in levelling unwarranted ridicule at its opponents nor at making outrageous claims for its own virtues. But there was an honesty and integrity on both sides which resists being characterized as mere "legitimization."

Despite this integrity, however, complex webs of rhetoric were woven, designed to put the protagonists' positions in the best possible light. Perhaps the most egregious examples of this rhetoric may be found in the cartoons in the farm press, which are quite liberally used in later chapters, where the grain trade and its arguments are lampooned and ridiculed. But for sheer self-righteous indignation it would be hard to surpass the typewritten, 608 page volume published by the Winnipeg Grain Exchange in 1933, following the bankruptcy of the Wheat Pools.<sup>11</sup> This is an invaluable source of newspaper reports, extracts from pamphlets and a variety of other sources, in which every inconsistency and every excessive claim of the Pool

leadership was ferreted out and exposed with a great deal of indignant huffing and puffing. It was a thoroughly understandable reaction after almost a decade of abuse from the Pool press.

Rhetoric and reality were also commingled at the moral level in the debate. In using the language of religion to describe their expectations, farm leaders, as noted above, joined the debate about the relationship between Christian faith and society; accordingly, their arguments at this level invite - and even demand - the comments and rejoinders of commentators who have given some thought to these very issues. The insights of Reinhold Niebuhr are of particular value in this regard, noting as he did that both *laissez faire* liberals and their radical opponents shared common romantic illusions about human nature, both of them underestimating the strength of self-interest, and the extent to which self-interest can lead to abuse of power.

This study, then, is an historical account of the people and ideas which competed for the farmers' allegiance ca. 1917 to 1940. Its purpose is to give a more balanced account of the debate than has been achieved in the past. While recognizing the farmers' problems, it treats the open market as a morally defensible system for marketing western grain, notwithstanding specific abuses that may have

occurred at the time. The debate was conducted at farm meetings, in the press and in the testimony given before three inter-war Royal Commissions on grain marketing, and it is these sources primarily that have been consulted in its preparation.

WHERE DOES THIS STUDY FIT in the literature covering the farm movement and grain marketing? First and foremost, it challenges Vernon Fowke, and particularly, it calls into question his *National Policy and the Wheat Economy*. Fowke's treatment of the farm movement in that volume might best be characterized as the argument which the farmers themselves might have made about grain marketing if they had ever summarized their arguments, and put them in any kind of economically sophisticated form. But Fowke was too sympathetic to his subject, and while he could not have been unaware that many of the allegations made against the futures market were nonsense, he never exposed them. In fact, much of Fowke's argument is surrounded by phrases which, on careful reading, show that he is expounding what farmers believed, without commenting on whether those beliefs might or might not be entirely false.

However, this study is also an elaboration of Fowke's comment that the farmers' views on grain marketing

rested on a belief - diametrically opposed to the free enterprise tenets underlying the national policy - that the open market or competitive system, the system of freely moving prices, ought not to govern the marketing of western grain.<sup>12</sup>

Fowke is exactly right in this statement, but precisely what those tenets are which underlay *laissez faire*, and exactly what tenets the farmers themselves adopted to put in their place has never been systematically explored. Pieces of that puzzle may be found in comments about such things as the "communitarian" views of the farmers' cooperativism standing in contrast to the "individualism" of free enterprise. But no systematic presentation of precisely how, in their own words, the farmers challenged "the received economic tradition" exists, and this study fills that void.

On the matter of the interplay with social gospel thought, this study takes up the work of Richard Allen. His analyses of the farm movement may be found in Chapter 12 of *The Social Passion* and in "The Social Gospel as the Religion of the Agrarian Revolt."<sup>13</sup> No direct issue is taken with Allen in this study, but it presents a somewhat different view than his. Here, it is argued that the two movements were joint participants in an exercise of ideological development, and came together for a brief period from about the middle of the Great War to the middle of the 1920's, when both thought that a radical change in society was

imminent. This alliance was a temporary thing, not overly evident at the beginnings of the farm movement, and largely disappearing after the formation of the Pools. But during its most intense period, each found the other's ideas and programmes intensely resonant with its own.

Another major recent study which deals with western protest of the same era is David Laycock's *Populism and Democratic Thought on the Prairies, 1910 to 1945*. Laycock covered some of the same ground as does this study, but his concern was more with political than economic ideology, particularly how various prairie groups added to the concept and practice of democracy. Laycock was interested in the real content of the term democracy. He identified four distinct types of democratic thought within Western Canada, and he explored the relationships between these modes of thought and various figures in the agrarian movement. However, where Laycock was concerned with how these strains of political thought differed, this study is concerned with the commonality of economic thought among western farm groups specifically. Moreover, where Laycock was interested in the real content of the term, our concern here will be with its metaphorical use by the farm movement. However, the two studies do cover a good deal of common ground, on which they cast rather different light.

This study is much more focussed than Ian MacPherson's *Each for All*,<sup>14</sup> which is a comprehensive study of the history of the cooperative movement. Here, we will focus on the West, will include more elements of the Western farm movement, and will concentrate on the ideas rather than the historic events. The study is also more narrowly focussed than John H. Thompson's *Decades of Discord*<sup>15</sup> which covers some of the same topics, but again does so in a national context.

Later in this study we will review a recent Ph.D. thesis by Jeffery Taylor at the University of Manitoba, which also looks at the ideology of the farm movement. This thesis shares with Taylor a focus on the concept of "dominant ideologies," but whereas Taylor adopts a "strong" form of the dominant ideology thesis, this study suggests that the "weak" form is more applicable. These concepts are explored further in Chapter II.

Finally, Allan Levine's study of the Winnipeg Grain Exchange<sup>16</sup> is refreshing if for no other reason than that it gives a sympathetic treatment of what for the most part is a much maligned organization. It does not, however, engage the issues which are addressed in this study, on either the "technical" or "moral" levels.

THERE REMAINS THE QUESTION of "so what?" Why are we interested in tracing the history of this particular ideological debate between pro- and anti-open market forces in the West?

To begin with, the subject has an inherent interest. The events of the 1920's and 1930's shaped Canada's grain marketing system for the succeeding half century - and shape it yet in the enduring presence of the Canadian Wheat Board. Not only was the fundamental form of Canada's marketing institutions fixed as an outcome of the debate of those decades, but also, the attitudes which were forged at that time towards the operation of market forces in general affected a multitude of other subsequent policy decisions. In 1973, an influential report on the "State of the [Grain] Industry" sought to explain why the handling and transportation system had seemed so slow to evolve towards a more modern configuration, with larger elevators and more efficient use of rail facilities. The report traced a pattern of policy and operational decisions, all of which bespoke a continuing mistrust of markets to allocate resources, and which proceeded with inexorable logic to add one policy instrument upon another until, according to the authors, grain farmers were left with an unresponsive, expensive and decaying transportation and handling system

that burdened them with costs at the very time the industry should be at its most lean.<sup>17</sup>

As this report itself made abundantly clear, a thorough understanding of the historical roots of current problems is essential to understanding and resolving them, and to add to such understanding is the first reason for undertaking the study.

A second reason for revisiting the historical debate is its present day re-enactment. On the one hand, we see a concerted effort on the part of governments the world over to re-examine the policy instruments which have been put in place over many years to protect agriculture from the unfettered workings of open markets. The self-cancelling effects of the American and European agricultural subsidies, the drain on their respective treasuries and the devastating impacts on third countries have very nearly become the bread and butter of agricultural news reporters. There is accordingly a growing contingent of farmers, economists, bureaucrats and politicians calling for a dismantling of the subsidy and market control apparatus and a return to greater reliance on the marketplace to set prices and returns. This world-wide tendency is complemented on the Canadian scene by a mounting criticism of transportation subsidies, and the "method of paying" them out, criticism fed by a feeling that

the blunting of market forces is not serving the farmers' interests.

Intelligent and effective participation in this debate again demands a sound understanding of the historical roots of the arguments: where did Canada's policies originate, and why were the decisions which shaped our marketing system made as they were.

Thirdly, the historical studies that have been done hitherto on the subject of agrarian reform and the formation of the Wheat Pools and the Wheat Board have virtually all been strongly biased in favour of these developments. The writings of Vernon Fowke and Harold Innis have both been alluded to, and we shall refer to both of them further as we proceed. While Levine's study is more positive than these in its view of the futures market, it is apparent from a review of the literature on the subject that a more balanced view of the relative strengths of the contending ideas of the time would represent a contribution to scholarship.

A fourth reason for studying the debate is to cast some further light on the religious dimension to the arguments made. The moral fervour with which the Pools' position was adopted and defended in the mid-1920's cannot really be understood without an appreciation of the religious vision which gave it birth, and without understanding the roots of

the social gospel thought which lay behind it. The social gossellers truly thought it was in their power to transform history and to usher in a new era of peace and prosperity and justice. They believed - naively, but nonetheless fervently - that new institutions could mould a new and regenerate people, who would be freed from selfishness. It was a noble dream, and its inspirational power may be counted as one of the determining factors in the debate - perhaps the critical factor resulting in the success of the Pools and the ultimate formation of the Canadian Wheat Board. But the vision was flawed, and its utopianism, in ways which can be illuminated by Reinhold Niebuhr's thought, presented some dangers. It will be valuable, therefore, to bring a Niebuhrian perspective to bear on these events in the ways alluded to above.

We shall not take any particular one of these four reasons for studying the ideological debate as central to our purposes in this study. Our objective, as discussed above, is to provide a balanced historical account of the debate which took place in the period we have identified. But as we proceed, we shall attempt to shed light on all these issues.

A BRIEF DESCRIPTION OF THE CONTENTS of the remaining chapters of this thesis will be of value.

The study divides broadly into two sections, with Chapters II to VI dealing with the development and content of the farmers' economic ideology. It begins in Chapter II with a brief review of the concept of ideology, and develops the argument that all systems of economic and political thought are ideological in that all are built on assumptions about man and society. A framework for examining ideology is built, primarily on the ideas of economists Joseph Schumpeter and Maurice Dobb, sociologist Clifford Geertz, and theologian Reinhold Niebuhr.

Chapter III examines the ideological assumptions underlying liberal economic theory. These assumptions relate to five issues: attitudes regarding the private ownership of wealth; the relationship of the individual to society; utilitarianism; economic man; and harmony and conflict in economic life.

Chapters IV and V deal with the sources of Western Canadian cooperativism, first in both the British and American movements, and second within social gospel thought. The development of the Rochdale principles, and of the "Californian" principles of pooling and centralized marketing, and their appropriation by the Canadian movement, are the subject of Chapter IV. The symbiosis between the

social gospel and Western Canadian producer cooperativism is reviewed in Chapter V.

Finally, in Chapter VI the "farmers' ideology" is described, extracting from their own writings the common elements of belief which led to the policy positions they adopted in regard to grain marketing. Again, the fivefold breakdown of Chapter III is used as a framework for description of these ideological beliefs.

The second section of the work comprises Chapters VII through IX, and deals with the "technical" aspects of the debate. Chapter VII is a description of futures markets and how they are intended to operate. Some of the farmers' allegations about futures markets are reviewed here on a theoretical level, and the fallacy behind them explained.

Chapter VIII deals with four specific charges which the farmers made against grain marketing operations. In each case, the farmers' allegations are subjected to an empirical analysis, and each case, are found wanting.

Chapter IX deals with three events: a little known Manitoba Provincial Royal Commission into Manitoba Pool; the dispute between the Pools and the British cooperative movement; and the experience of the so-called "stabilization" activities of John McFarland during the

early 1930's. These events are used to illustrate how ideology changes one's interpretation of events, and how the farm movement was blind to its own self-interest.

Chapter X concludes the study, bringing together the disparate matters discussed, and drawing the conclusions which have been briefly discussed in this introduction.

## CHAPTER II

### SAVING THE APPEARANCES

#### A Framework for Examining Ideology

...he his fabric of the Heavens  
Hath left to their disputes - perhaps to move  
His laughter at their quaint opinions wide  
Hereafter, when they come to model heaven,  
And calculate the stars; how they will wield  
The mighty frame; how build, unbuild, contrive  
To save appearances how gird the sphere  
With centric and eccentric scribbled o'er,  
Cycle and epicycle, orb in orb.

*John Milton*

The question [is not] whether social scientists do advance ideological presuppositions under the guise of academic objectivity so much as whether they can help doing otherwise.

*W.G. Runciman*

AS THIS IS A STUDY in ideology, we now must come to some understanding of what is meant by this rather slippery term. In common parlance, the word ideology "comes trailing clouds of pejorative connotation."<sup>1</sup> This study, however, will take a less negative view, and develop the position that all views are to some extent ideological, in the sense that all embody value judgments which underlie them. This position, however, will require us to address some thorny questions. For example, were the farm leaders being ideological in suggesting that single desk selling would lead to just relationships between buyers and sellers? Were their condemnations of the grain trade as gamblers and

manipulators ideologically inspired? Were they blinded by ideology in their expectation of receiving higher farm gate prices from a pooling organization or the wheat board, or were their expectations realistic assessments of what a monopoly seller could do in world markets? Equally, were grain trade representatives being ideological in their defense of the open market? Were the liberal economic theories which informed the grain traders' views ideological or scientific?

Even more disturbing, if both sides were "merely" ideological, upon what basis can we evaluate anything that was said? Does not discourse on policy simply degenerate to mere differences of opinion if there is no objective reality against which to measure differing views?

These are the type of questions which must be addressed, and some stance must be found from which to address them before we proceed further.

TWO MAIN LINES OF THINKING may be identified in tracing the history of the idea in Western thought.<sup>2</sup> The first may broadly be characterized as a blend of French rationalism and English empiricism. Destutt De Tracy, who coined the word ideology to mean "a science of ideas," is the earliest contributor from the French tradition, while in English

thought, the origins go back to Francis Bacon who was among the first to insist on empirical methods in science. Bacon's ideas are often held to be the starting point of modern social science, embodying as they do the ideal of experimentation and observation freed from preconceived ideas.<sup>3</sup> And indeed, the ideal of a value-free, objective science is precisely what the Anglo-French school put in opposition to ideology. The famous sociologist Emil Durkheim, for example, contrasted the "ideological method," which used "notions to govern the collation of facts", with the approach of having "a constant standard which is always to hand for the observer, and which leaves no room for subjective impressions or personal observations."<sup>4</sup>

The second major stream of thought, which was Germanic in origin, is often referred to as the "historicist" school, reflecting the concept of ideas being conditioned by historic circumstance. At its extreme, this school argues that reality is a creation of the human mind, which imposes an order absent from phenomena themselves. Rather than an objective external reality, whose properties and behaviour may be discovered by dispassionate observation and deduction, we have but a chaotic mass of sensation, made intelligible only when forced into a conceptual or ideological framework of the observer's own making.

Karl Mannheim's *Ideology and Utopia*, lies in this Germanic tradition. To Mannheim, all thought was culturally and historically conditioned, a fact that had to be recognized in the development of the social sciences. Mannheim added several helpful categories to the study of ideology, the first of which is his differentiation between the "particular" and "total" conceptions of ideology. The former implies "that we are skeptical of the ideas and representations of our opponent," and see them as "disguises" of their "real nature." The latter refers

to the ideology of an age or of a concrete historico-social group, e.g. of a class, when we are concerned with the characteristics and composition of the total structure of the mind of this epoch or of this group.<sup>5</sup>

The primary difficulty raised by a conception of reality like Mannheim's is whether it renders impossible any dialogue between persons from different societies or different groups. Mannheim thought not, and indeed specifically sought "to overcome the vague, ill-considered, and sterile form of relativism with regard to scientific knowledge which is increasingly prevalent today."<sup>6</sup> He tried to avoid a strict choice between absolutism and relativism by coining a new category which he termed "relationism." Thus while one always formulates one's position in relation to one's particular historical and social circumstances,

this "does not signify that there are no criteria of rightness and wrongness in a discussion."<sup>7</sup>

These two schools of thought - Anglo-French rationalism and Germanic historicism - have each influenced the study of ideology. The rationalist conception of ideology as the source of bias and error dominated Western thought in both the natural and social sciences until quite recent times. Lately, the concept of pure objectivity has proven difficult to defend, and there is greater recognition that even dispassionate observers bring to their experiences, mental furnishings which influence their conclusions more deeply than our empiricism finds comfortable.

In the social sciences, much of this shift has come from the influence of Marxism which was much preoccupied with the importance of ideology in economic life. We must deal with Marxist thought here, not only because it bulks so large in current discourse on ideology, but also because one of the most recent contributions to scholarly research on the Western Canadian farm movement was written from a Marxist perspective.<sup>8</sup>

Marxism drew its ideas from both the rationalist and historicist streams. On the one hand, Marx's famous statement, "Life is not determined by consciousness, but consciousness by life," lies firmly in the Germanic

tradition. This phrase comes at the end of a passage in which Marx said ideologies are "phantoms formed in the human brain" which in turn were "sublimates of their material life-process." Thus, morality, religion, and metaphysics

have no history, no development; but men, developing their material production and their material discourse, alter, along with this their real existence, their thinking and the products of their thinking. Life is not determined by consciousness, but consciousness by life.<sup>9</sup>

Following this line of thought, Marxism sees the human mind and the material world entering into covert relationships, producing ideologies which "distort or 'disguise' reality," and conceal the "antagonistic and conflict ridden" nature of capitalist society.

On the other hand, drawing from the rationalist and empiricist tradition, Marxism claims to provide an objective vantage point from whose "scientific" perspective the naked truth about bourgeois society becomes evident.<sup>10</sup> To Mannheim, it was a failure in Marxism to see ideology as a deceptive element in bourgeois thought, but to deny that its own ideas were historically conditioned. Failing to take the decisive step from the "particular" to the "total," said Mannheim, Marxism lost the opportunity for self-criticism. He ascribed this failure to a reluctance to confront the possibility of error: if Marxism is socially conditioned, then its claim to transcendent truth would be undermined.<sup>11</sup>

As the twentieth century wore on, Marxist thinkers turned their attention to why, against its own tenets, capitalist societies showed no signs of collapsing, and began to concede that ideas, rather than being a mere epiphenomenon of the material, may have more independence than Marx and Engels were willing to grant. This in turn led them to the notion "that there is a powerful, effective, dominant ideology in contemporary capitalist societies [which] creates an acceptance of capitalism in the working class."<sup>12</sup> Abercrombie and his colleagues identified Marx and Engels' famous phrase that "the ideas of the ruling class are in every epoch the ruling ideas" as the Marxian proof text for the existence of the dominant ideology. They found that as Marxist thinkers developed the "dominant ideology thesis," they used an "imagery" that was "very much of one class doing something to another." As Marx himself put it, capital has "a vampire thirst for the living blood of labour" and "drip[s] from head to foot, from every pore, with blood and dirt."<sup>13</sup>

As Abercrombie *et al.* pointed out, the dominant ideology thesis exists in both a strong and a weak form. The strong form postulates a kind of conspiracy theory where the "dominant class" consciously sets out to dupe the workers into accepting the ideology of capitalism. In the weak

form, the dominant ideology is dominant because it has "the institutions to give it public expression." Under this weak form, the "subordinate classes" retain both a lively culture and a belief system which resist absorption and domination by the more powerful groups in society, but lacking machinery for expression, it fails to come to public notice.<sup>14</sup>

Jeffery Taylor, in his 1988 study of agrarian ideologies ca. 1900 - 1925, examined the role of the Manitoba Agricultural College as the primary site and instrument for indoctrination of farmers. The means by which this was alleged to have been done was by the state controlling the form and content of the educational agenda, ensuring that problems were defined in ways that the ruling elite found comfortable, limiting who was able to address these problems and controlling both the language and analytical categories by which they were approached.<sup>15</sup> In following this strategy, the dominant group was able to render "the inherent antagonisms in production as functional differences: women and men, workers and employers, have different roles to perform."<sup>16</sup>

The thesis requires a malevolent agent, acting as Abercrombie and his colleagues described - "doing" something to the subordinate groups - and indeed, Taylor provided it

in the form of a highly personified "capital" mounting its concerted attack on farmers.

Taylor built his argument from the standard Marxist theory of the "subordination" of labour through "the dispossession of workers from the means of production ... such that they are forced to exchange their labour power for money in the capitalist labour market." This is followed by "the real subordination" effected by capital "dissolving handicraft production through the displacement of manual tools by machine tools."<sup>17</sup>

"Agro-industrial capital," said Taylor, had a parallel goal, of "subordinat[ing] farm households so as to systematically extract the surplus." "Capital-in-general" did this through the market, but Taylor's agro-industrial capital intruded itself right into the farm household, bringing devices like washing machines and electric stoves onto the market, not for the relief of domestic drudgery, but as devices "for the control of women ... through product design and advertising."<sup>18</sup>

In order to make its schemes acceptable to farmers and labour, capital utilized the schools to indoctrinate them in the schools with the "dominant ideology," and thus "by the 1880's bourgeois and middle class elements ... had fashioned public, and ultimately compulsory, school systems ... as a

means of encouraging and regulating the social changes associated with the development of capitalism." This process was repeated later in Manitoba where agricultural extension services were combined with the Manitoba College of Agriculture and "in this state structure ... a dominant ideology for rural people was constructed and conveyed."<sup>19</sup>

Taylor here used an imagery, which was much as Abercrombie *et al.* described, of the dominant group actively hoodwinking the student farmer into believing things which industry wished. Moreover, the farmers' defensive reactions to this attack - "[l]ess clearly articulated popular ideologies, such as populism"<sup>20</sup> - were soon "infiltrated" by the dominant ideology, and became "accommodationist."<sup>21</sup> Thus, he said, the Manitoba Grain Growers Association, and its successor United Farmers of Manitoba, "subordinated the popular movement to practices that supported rather than challenged the structures of power."<sup>22</sup>

Does the dominant ideology thesis within which Taylor worked rest on solid ground? To begin with, if Taylor was right, it is not clear how to interpret the speech by Manitoba Agricultural College President, J.B. Reynolds, to the 1917 annual convention of the MGGA: "The body economic," he said, "is possessed not by one devil only but by two. These two anti-social principles, these two

economic devils, are **Competition and Profit.**"<sup>23</sup> The speech, which elaborated this theme at some length, was scarcely an apology for *laissez faire*, and raises some doubt as whether the conspiracy to control the language within which agricultural problems were addressed was universally successful.

On a broader level, Abercrombie and his co-contributors argued that the notion of "subordinate classes" being driven into submission by a "dominant ideology" could not be supported empirically. Analyzing feudal, early capitalist and late capitalist societies, they concluded "the dominant ideology lacks internal consistency [and] that not all the dominant groups believe in all the elements." Moreover, they cited various studies which showed quite clearly how those whose thinking was supposed to be dominated held quite different views from dominant groups.<sup>24</sup>

The standard Marxist response to such arguments is to appeal to experience. If the workers are not deceived, why have they not revolted against their chains as Marx predicted? To Abercrombie and his collaborators, the dominant ideology argument is not required to account for the stability of late capitalist society, simply because the "tangible benefits" of reform made the destruction of capitalism unnecessary.<sup>25</sup>

It should be pointed out that these are not the writings of conservative apologists for the status quo. The authors were deeply influenced by Marxist thought and accepted the reality of its categories of "accumulation" and "exploitation." But as the foreword to the book concluded, the dominant ideology thesis is so weak that "it cannot possibly bear the burden of explanation that is placed upon it."<sup>26</sup>

Perhaps that is why Taylor's assertions about the economic process of subordination and surplus extraction are so vaguely formulated, and his argument, in the end, so unconvincing. The thing he is trying to find simply does not exist in the form that he is seeking.

WHILE MARXIST VIEWS on ideology were evolving, and while Mannheim was developing his "sociology of knowledge," the Anglo-French tradition of objective, value free science was being questioned from within, and there developed a lively debate as to whether or not even "hard" sciences like physics are in fact a construction of the human mind.

An interesting and useful perspective on the objectivity of knowledge was developed by Owen Barfield in a book called *Saving the Appearances*, whose title has been borrowed for this Chapter. Barfield was an early contributor to a long

debate about the way in which the contents of the human mind - what is already known to the observer - influence the perception of events. To him, a phenomenon was the interaction between mind and stimulus, and he illustrated this concept with the simple example of "hearing a thrush." As he pointed out, a thrush is not what is actually heard; all that is heard is a sound, and a great deal of prior knowledge must be accumulated before the image of a thrush is induced by the stimulus of the bird song. To denote all those things which enter into the construction of a mental image, but which are not sensation, he used the term "figuration". This, he said, is the process whereby "mere sensations [are] combined and constructed in the percipient mind into the recognizable and nameable objects we call 'things'."<sup>27</sup>

The primary mental furnishing of the mediaeval mind which entered into its perception of the world (or its "figuration") but which is no longer present today, is a sense of identity with things and events. As he put it:

there stands behind the phenomena, *and on the other side of them from me*, a represented which is of the same nature as me. Whether it is called "mana", or by the names of many gods or demons, or God the Father, or the spirit world, it is of the same nature as the perceiving self, inasmuch as it is not mechanical, but psychic and voluntary.<sup>28</sup>

It is not difficult today to find residual manifestations of what Barfield is talking about. Old cars, steam trains

and Victorian buildings are seen by some as having a human character not shared by their modern counterparts.

Barfield's arguments are not of great importance to this thesis except insofar as they rather compellingly illustrate how the contents of the mind influence the perception of phenomena. Accept Barfield's point, it becomes difficult to believe in an "objective" reality, fully independent of the human observer.

Today, we no longer presume the existence of a spiritual presence on "the other side" of phenomena, and to Bacon and the proponents of Anglo-French Enlightenment ideas informing western scientific thought, this was a positive step, breaking down the "false notions" which cloud the mind and prevent it from discovering objective truth. But to Barfield, the tendency to ignore the role of consciousness in constructing our perceptions of reality was to introduce a dangerous rigidity into our thinking, because it robbed us of a humility about the essentially partial and temporary nature of our understanding. The roots of this unfortunate development lie in changing attitudes to scientific truth, which Barfield demonstrated through the concept of a "hypothesis" as a proposition whose function is to "save the appearances" - by which is meant an explanation which accounts for phenomena as we experience them.

We are used to thinking of the word hypothesis as a postulate made prior to observation, whose truth or falsity is to be established by experiment or observation. However, that was not its original meaning. Astronomy, for example, had to give some account of the movements of the stars and planets, and to do so, postulated, after observation, "hypotheses" which could account for what was seen. Moreover, says Barfield, ancient and mediaeval astronomers were not concerned that the "appearances" could be "saved" by both heliocentric and geocentric "hypotheses." Both theories had been extant since the time of the ancient Greeks, and both were acceptable accounts of the motion of the planets and stars. Thus the popular view of Galileo recanting on his knees his heretical heliocentric theory is, according to Barfield, a misconception. It was not heliocentricity itself which was at issue, but rather:

It was this novel idea that the Copernican ... hypothesis might not be a hypothesis at all but the ultimate truth, that was almost enough in itself to constitute the "scientific revolution" ...

It was not simply a new theory of the nature of the celestial movements that was feared, but a new theory of the nature of theory; namely that if a hypothesis saves all appearance, it is identical with truth.<sup>29</sup>

Whereas prior to Galileo's dispute with the Church the contingent nature of scientific theory was accepted, afterward, science began to believe that it was in possession of absolute truth. Moreover, this view of

absolute truth applied not only to phenomena perceived through the senses, but to the unperceived as well. Who has actually "seen" an electron? And yet there is scarcely an educated twentieth century person who does not carry in his or her head a kind of model, for the most part of limited sophistication, of tiny particles whirling about atomic nuclei.

Roger Jones, a physicist at the University of Minnesota, used the term "metaphors" to refer to these models which constructed by science and are believed by most of us to be faithful representations of the structure of the universe. But because we fail to recognize the role played by the mind in their construction, we are ultimately deceived. Barfield, said Jones, helped him see "the deceptiveness" of metaphors which "become crystallized and abstract" and "cut off from their roots in consciousness." There is "an essentially human element" in science said Jones, and if that is forgotten, scientists assume that they only discover and describe an objective reality, whereas in fact they very actively create the world as our minds see it.<sup>30</sup> Jones also cited other thinkers who raised similar doubts, including Kuhn who formulated the idea of a "scientific paradigm" or "belief system" which influences the interpretation of data and the acceptability of new theories.<sup>31</sup>

Barfield's ideas about the influence of mental contents, metaphor, and the contingent nature of truth, were applied to the discipline of economics in a paper called "The Rhetoric of Economics," by University of Iowa economist, Donald McCloskey. In it, McCloskey argued very persuasively that economic discourse is infused from one end to the other with metaphorical devices, and indeed, that it would be impossible to communicate without them. To speak of things like "supply and demand curves," said McCloskey, is just as metaphorical as to say "that the west wind is 'a breath of autumn's being'." Metaphors are devices which "bring two separate domains into cognitive and emotional relation by using language directly appropriate to the one as a lens for seeing the other," and they assist the understanding by serving as simple models of reality which can be manipulated in our heads. Thus the most obvious metaphors in economics are those common terms carried over from everyday language but given new meanings: " 'depression' was depressing; 'equilibrium' compared an economy to an apple in a bowl, a settling idea; 'competition' once induced thoughts of horseraces."<sup>32</sup>

McCloskey, like Jones, acknowledged his debt to Barfield, and pointed out the dangers of taking literally that which was originally meant metaphorically:

The metaphorical content of these ideas was alive to its inventors in the 19th century. It is largely dead to 20th century economists, but deadness does not eliminate the metaphorical content. ...

If economists forget and then stoutly deny that the production function is a metaphor, yet continue talking about it, the result is mere verbiage.

Most economists, McCloskey claimed, would not be comfortable with his arguments. In fact, economists like to think of their discipline as "scientific" and "objective." But when one forgets the metaphorical component of thought, one is in danger of taking oversimplification literally, and of forgetting the value judgments which metaphors implicitly contain:

Metaphors ... evoke attitudes that are better kept in the open and under the control of reasoning. ... the invisible hand is so very discrete, so soothing, that we might be inclined to accept its touch without protest; the contradictions of capitalism so very portentous, so scientifically precise, that we might be inclined to accept their existence without inquiry. ... The metaphors of economics convey ... ethical neutrality [but in fact] introduce moral premises. ... "Marginal productivity" is such a fine, round, phrase, a precise mathematical metaphor that encapsulates a most powerful piece of social description. Yet it brings with it the air of having solved the moral problem of distribution in which people cooperate to produce things instead of producing them alone. It ... may be far from the purpose of the economist who uses it to show approval for the distribution arising from competition. It is better, though, to admit that metaphors in economics can contain such a political message than to use the jargon innocent of its potential.<sup>23</sup>

MCCLOSKEY'S ARTICLE BRINGS US finally to the issue of values in economics - and how what purports to be objective is in fact an outgrowth of an ideological viewpoint. A thinker

whose ideas are germane to our purposes in this regard is economist Joseph Schumpeter. To begin with, he rejected the idea that investigators come to a subject free of preconception, arguing that some preconceptions - far from being prejudices which cloud the understanding - are absolutely necessary in order to "acquire 'intuitively' a preliminary notion of how [things] hang together or ... of what appear ... to be their fundamental properties."<sup>34</sup> However, even though they are necessary, these "preliminary notions" are laden with value judgments.

In a perceptive little essay called "Science and Ideology," Schumpeter struggled with the question of how values enter into economics and whether they vitiate the ideal of objective analysis. He concluded that values enter in two ways. First, they enter consciously when one brings them to bear in evaluating the significance of the facts that one has uncovered through analysis. This, he felt was consciously done, and therefore not a threat to objectivity. But in addition, he said,

there exists in our minds preconceptions about the economic process that are much more dangerous to ... our analytical endeavors because they seem beyond our control in a sense in which value judgements and special pleadings are not. Though mostly allied with these, they deserve to be separated from them and to be discussed independently. We shall call them Ideologies.

These ideologies, he said, "*are not simply lies; they are truthful statements about what a man thinks he sees,*" and

their source lies in "the initial vision of the phenomena we propose to subject to scientific treatment," a vision which he referred to as "pre - and extrascientific." These "initial visions" are the foundation upon which all subsequent analysis and thought are erected. They determine what phenomena are to be studied further, the identification and collection of the data which are thought to be relevant, and they influence all subsequent speculation and refinement, right through to policy recommendations.<sup>35</sup>

It is not difficult to illustrate Schumpeter's thesis. Economists ask questions about distributions of wealth and income, and about how such distributions come to be. But their answers to the second set of questions will be influenced by their value judgments on the first. A person who sees injustice in the disparity between rich and poor, will look for power relationships - for factors which allow the well off to acquire what they have against the will of the less fortunate. If on the other hand one perceives justice to prevail, one will examine the conditions of exchange, looking for rewards according to merit and contribution, and for the factors that cause one person voluntarily to seek gains which another foregoes.

It is scarcely an area where one can remain neutral. Not to judge is to consider that what is, is what ought to be,

and to look for economic mechanisms that conform with the judgement.

As McCloskey pointed out, the presence of ideological assumptions which inhere in basic premises colours even the language in which economic concepts are described, and to Gunnar Myrdal, the effect of this colouration is not entirely benign. He pointed out how easily one can slip from the positive description of the "function of the entrepreneur to shoulder risk," to the normative assessment that: " 'As a reward for performing this function, he receives a profit', and thereafter to go further and regard the fact that the entrepreneur fulfills a 'function' as constituting some kind of justification for the profit he receives." <sup>26</sup>

Maurice Dobb built on Schumpeter's ideas in his *Theories of Value and Distribution Since Adam Smith*, a work which is subtitled, "Ideology and Economic Theory." He started with Schumpeter's statement that an investigator requires "a preliminary notion" of how things hang together, but went on to point out that Schumpeter nevertheless still thought that a core of timeless, objective, techniques of economic analysis could be developed. But Dobb discovered he could not agree with Schumpeter because it is virtually impossible to make very meaningful statements about economic

relationships without finding that values have entered. For example, a given labour force and a given set of physical resources may determine total maximum production, but it will not determine what goods should be produced. In real life situations, choices must be made, and as soon as there is choice, questions of value enter which are unavoidably ideological in nature.

Moreover, Dobb found no evidence to suggest that economic theories or practices were ever formulated outside of, or failed to be shaped by, specific historical situations. Adam Smith developed his ideas in response to Mercantilism and Ricardo first began to formulate his theories of value in relation to the Corn Laws. Said Dobb, "thinking is shaped by the problems thrown up from a particular social context," and such problems are both formulated and solved within an "inherited framework" of ideas, techniques and assumptions - a "conceptual web" within which our thinking operates.<sup>97</sup> Thus, for many years, Say's law dominated economic thinking about production, consumption and employment levels. According to this doctrine, an economy must always operate at full employment because if employment falls, wages would go down, thus stimulating demand for labour and re-establishing equilibrium at full employment. Underconsumption theories, while occasionally voiced, were dismissed as impossibilities. The events of the 1930's

finally forced economists to abandon Say and, through Keynes' work, to extend the boundaries of the "inherited framework" to account for chronic underconsumption.<sup>38</sup> Thus, he concluded, Schumpeter's "allegedly 'neutral' corpus [of economic technique] when carefully formulated and analysed ... will be found to be extremely thin in factual content."<sup>39</sup>

Nevertheless, Dobb still felt that, despite the entry of "subjective or *a priori* elements," rational debate and criticism and assessment were still possible.<sup>40</sup> The subjective elements do not necessarily introduce error or deception, he said, but they address different aspects of social reality. Thus: "In choosing one structure over another, the model-builder is ... laying emphasis on certain factors and relationships and excluding others or casting them into the shadows,"<sup>41</sup> - a thought that could be alternately expressed by saying that a hypothesis can save some appearances but not others, and cannot legitimately claim to be absolute truth as long as there are appearances that are left out of consideration. Because different theories highlight different aspects of social reality, it is possible - and indeed the most likely situation - that rival types of interpretation will coexist ... without the true nature of their different visions being brought plainly to view [and such] rival viewpoints may find sincerely convinced champions because they severally fit the perspective from which different

social classes view the complex interacting relationships and change.<sup>42</sup>

To Dobb, then, as to Schumpeter, ideology enters into economic debate because social conditions influence what one sees, and more importantly, what one finds to be important. "Rival viewpoints" are therefore developed to account for these differently perceived and assessed aspects of social reality.

The most crucial debate in economics, thought Dobb, was "between theories that approach the determination of prices ... through and by means of conditions of production (costs, input coefficients and the like) and those that approach it primarily from the side of demand"<sup>43</sup> - i.e., between radical and liberal economic analysis. The principle difference which Dobb saw between these two, lies in their respective starting points. In contrast to our usual perspective, he put all of the "classical economists" (Smith, Ricardo, Mill) into the same category as Marx in that, for them, "the study of Political Economy and analysis of exchange value started from the those socio-economic conditions that shaped the class relations of society." Adam Smith, he pointed out, distinguished the early state of society, preceding the "accumulation of stock and the appropriation of land" from the later state when "stock has accumulated in the hands of certain persons." Similarly Ricardo saw the principal

economic problem as that of distribution of production among "the proprietor of land, the owner of the ... capital necessary for its cultivation, and the labourer by whose industry it is cultivated."<sup>44</sup> Marx followed Smith and Ricardo in this emphasis on the supremacy of class relations to those of exchange in determining value. Thus Marx, referring to earlier economic thought, said that "the existence of the revenue, as it appears on the surface, is separated from its inner relations and from all connections. Thus land becomes the source of rent, capital the source of profit, and labour the source of wages."<sup>45</sup>

In contrast, liberal economics, following the adoption of the marginalist theories of Jevons and Menger, explained exchange values in terms of individual wants. This had two "crucial consequences":

First, it treated individuals, [and their wants and choices] as the ultimate and independent data of the economic problem ... Secondly, it derived a theory of distribution as incidental to the pricing-process ...

[However,] this inclusion of a theory of distribution within the theory of the pricing-process [begs a question]. A structure of market demands can only be derived from consumers' desires ... on the assumption of consumers being equipped with a given money-income. Hence an initial distribution of income between individuals is implicit in the general pricing-process, in the sense that it must be included as one of the determinants of the structure of demand from which all prices ... are derived.<sup>46</sup>

Accordingly, said Dobb, classical economics saw income distribution as "the result of social institutions," whereas to modern thought, the two were considered independent.

As we shall see, much of the agrarian attack upon the pricing arrangements of the grain industry, and much of the defense of the open market, was fought on precisely the grounds that Dobb here describes. The farm movement, although not Marxist, was keenly aware of power relationships arising from disparity in wealth. At the same time, the grain trade was deeply imbued with the liberal economic tradition, and saw the price setting mechanism of the market as the operation of scientifically determined natural laws, while failing to see the influence of power relationships on income distribution.

While ideology starts with Schumpeter's "initial visions" and with Dobb's "rival viewpoints," it does not end there. A fully developed ideology entails first an elaborate embroidery of the initial vision, and secondly, the communication of the ideology from a few thinkers and leaders to a large number of less articulate followers. To understand this process of elaboration and communication, we must turn to other thinkers, and one who is much to our purpose is Clifford Geertz.

Geertz tackled the difficult questions we are addressing from within the discipline of sociology, by asking what function ideology performs in human thought. He began his inquiry by describing the two theoretical approaches taken towards these questions by sociologists, *viz.*, the "interest" theory and the "strain" theory. Interest theory holds that ideologies are apologetics for the material motives of their proponents; strain theory ascribes ideologies to the effect of social stress, and the attempts of individuals and groups to account for the circumstances within which they find themselves.

Geertz held more closely to the strain theory, arguing that ideologies develop at points of crisis, when the reigning ideas no longer provide the resources for comprehending new political, economic or social realities, and thought begins "to free itself from the received tradition."<sup>47</sup> However, he thought, while the strain theory accounts reasonably well for how ideologies begin, it accounts rather poorly for their results: *i.e.*, that an ideological position can become so quickly understood and accepted by large groups of people; that those who adopt the new ideology so rapidly come to behave as the "interest" theory predicts, rationalizing their own position in terms of broad goals of justice; and that other widely accepted

functions of ideology (such as strengthening group solidarity) occur.

Geertz hypothesized that the failure of the strain theory to account for these phenomena lies in the absence, within the theory, of "anything more than the most rudimentary conception" of how the ideas of the leaders and thinkers of a movement are translated into understandable forms for the more practical, less analytical, followers: how, as he put it, "ideologies transform sentiment into significance and so make it socially available."<sup>48</sup> He argued that these things are accomplished through devices like metaphor which are able to "communicate social realities which elude the tempered language of science," and "mediate more complex meanings than its literal reading suggests."<sup>49</sup>

He illustrated his idea by means of a metaphor which had failed, *viz.*, the attempt by organized labour in the United States to brand the Taft-Hartley Act as "slave labour law." This slogan was never intended, said Geertz, even by those who coined it, to be taken literally, but rather was intended to draw certain analogies. The attempt misfired because: "The semantic tension between the image of a conservative Congress outlawing the closed shop and of the prison camps of Siberia was - apparently - too great to be resolved into a single conception."<sup>50</sup>

Paralleling McCloskey, Geertz likened metaphors to simple "models" which guide the mind towards meaningful interpretations of what would otherwise be a mass of discordant and highly confusing data. He used the analogy of a road map which organizes geographic information into form which allows us to find our way from where we are to where we want to be. What road maps do for geography, ideologies do for politics and economics: both enable us "to react ... not 'blindly' but 'intelligently' " to unfamiliar and distressing circumstances. It is when answers to problems can no longer be found within the reigning philosophies, and a system feels the need "to free itself from the immediate governance of the received tradition," that new ideologies emerge. When they are effective, they find they need literary devices like metaphors "to render otherwise incomprehensible social situations meaningful, and so construe them as to act purposefully within them."<sup>51</sup> They become, he said, "maps of problematical social reality and matrices for the creation of collective conscience."

Debate between the farmers and the grain trade was overtly economic, relating to how wheat should be priced and sold, but it was also moral and ethical in implication. And even beyond the ethical, it was, at least in the 1917 to 1925 period, a religious debate as well. In this unique and

fascinating period, farm leaders across the Prairies, in all three of the major provincial farm organizations, expressed their aspirations in overtly religious terms, and drew inspiration directly from religious sources within North American Protestantism. The stated goal was to build the "Kingdom of God on Earth," which in turn entailed building right relations among men.

We cannot, therefore, close this discussion on ideology without some attention to the question of the relationship between ideology and religious thought, and one of the most influential thinkers to reflect on this problem was Reinhold Niebuhr. Accordingly no discussion of the matter can be complete without consideration of some of his ideas.

ALTHOUGH NIEBUHR IS OFTEN SAID to have moved from the left to the right of the political spectrum during his career, this characterization of his intellectual journey is too simple. Harland pointed out that one can distinguish, in his writings, Marxist influences which were retained in the structure of his thought as well as those which were "eventually cast off." Retained were the "emphasis on the social character of human existence" and the appreciation of the role of unequal power in perpetrating injustice; cast off were the faith in the inevitable self-destruction of capitalism, and the naive faith in the abolition of private

property to annul economic interest and hence to end all injustice.<sup>52</sup> Moreover, Niebuhr always rejected Marxism's utopian element as inconsistent with the realities of human nature, and, like Mannheim, he always specifically repudiated the pretension of Marxism to see ideological blindness everywhere but in itself.

Rather than finding some place to stand within the left-to-right political spectrum, Niebuhr in fact strove to attain "a vantage point free from the illusions of the warring bourgeois and Marxist creeds."<sup>53</sup> He found this vantage point within Christianity, and from it levelled his criticisms at each of them.

Various perspectives which owe a debt to Niebuhr's thought will be used in subsequent chapters to assess the ideological activity of farmers and the grain trade. These perspectives largely derive from Niebuhr's ideas on the power and pervasiveness of self-interest. The most accessible of Niebuhr's books to deal with his concept of the destructive nature of self-interest is *Children of Light and Children of Darkness* - a title which refers respectively to those who "believe that self-interest should be brought under the discipline of a higher law," and the "moral cynics, who know no law beyond their will and interest."<sup>54</sup> The book's central theme is that the ideologies of both left

and right share common optimistic and romantic illusions about the essential goodness of human nature. Because of this optimism, wrote Niebuhr, "the social idealism which informs our democratic society had a touching faith in the possibility of achieving a simple harmony between self-interest and the general welfare on every level."<sup>55</sup>

It must be understood that the peril which inheres in these illusions does not lie in denying the existence of moral cynicism in others. Rather it lies in underestimating the power of self-interest in oneself. Because Niebuhr wrote from a Christian perspective, he used the language of "original sin" to describe this debilitating self-interest, but Niebuhr's genius was to take such an unfashionable element of Christian thought and to breathe new life into it in ways that the modern mind finds acceptable and meaningful. Niebuhr thought that "in rejecting the Christian doctrine of original sin," the various schools of "modern secularism," had made a grievous error:

... the doctrine makes an important contribution to any adequate social and political theory the lack of which has robbed bourgeois theory of real wisdom; for it emphasizes a fact which every page of human history attests. Through it one may understand that no matter how wide the perspectives which the human mind may reach, how broad the loyalties which the human imagination may conceive, how universal the community which human statecraft may organize, or how pure the aspirations of the saintliest idealists may be, there is no level of human moral or social achievement in which there is not some corruption of inordinate self-love.

Because they rejected the concept that the roots of selfishness and conflict lie within human nature, reformers looked for the sources of corrupt behaviour "in some specific form of social organization," and for the remedies to it in various forms of social action: revolution, the replacement of markets with communitarian economies, education and so on. All these, Niebuhr labelled as "fatuous and futile plans for resolving the conflict between self and the community."<sup>56</sup>

Not only were Marxism and liberalism equally naive in their optimism about human nature, they were equally deceived in their common preoccupation with wealth and property as the source (or cure) for conflict:

Neither [liberalism nor Marxism] understands property as a form of power which can be used in either its individual or its social form as an instrument of particular interest against general interest. Liberalism makes this mistake in regard to private property and Marxism makes it in regard to socialized property.

Elaborating, Niebuhr traced the origin of liberal ideologies on property back to Christian and Enlightenment sources which saw property as a necessary evil, primarily required as a protective device "against the inclination of others to take advantage of the self." Liberalism's blindness then lay in its benign view of private property:

The bourgeois idea of property participates in the general error of liberalism: its belief that all individual power, whether in

the political or economic sphere, is ordinate, limited and primarily defensive. ...

In ... *laissez faire* theory it is assumed that property, interest on wealth, wages and every other element in the economic process are held in automatic balance by the free market and competition. This theory left the important fact out of account, that every economic process begins with a disproportion of economic power.<sup>57</sup>

At the same time, Marxism had its own set of naive presumptions about communal property:

It thinks that the inclination of men to take advantage of each other is a corruption which was introduced by private property. It therefore assumes that the socialization of property will eliminate human egotism. Its failure to understand the perennial and persistent character of human egotism in any possible society, prompts it to make completely erroneous estimates of human behaviour on the other side of the revolution.

[Marxism also believed] that the ownership of property is the sole and only source of economic power. The management and manipulation of industrial process represents social power [which] naturally grows in any society in which the rights of private ownership have been destroyed. ...

The Marxist theory fails to anticipate the inevitable rise of an oligarchy in a new society [and] has no protection against the excessive power of those who manipulate a socialized economic process or who combine the control of both the economic and the political process.<sup>58</sup>

Niebuhr rejected the concept of human nature as benign, and both the Marxist and liberal points of view on property. First, he argued the potential for corrupt behaviour arises not out of the prevailing political or economic system, but out of the human ability to inflate basic human needs and drives to pathological proportion. Thus, "the hunger impulse" may transmute into "the perversion of the

gourmand," and a house become "the symbol of his power, position and prestige." Moreover, he said:

The economic activities by which these desires are satisfied are subject to an even greater transmutation than the desires themselves. Every skill, or every organization of skill, in industry or trade, is a form of social power. Every such social power seeks to stabilize itself by the acquisition of property. If economic power becomes great enough, it seeks to transmute itself into a political power. Whenever a power ... becomes strong enough ... it seeks to participate in organizing the community.<sup>59</sup>

Since the roots of corruption lie in the inflation of basic human needs, the roots of injustice then may be found when human beings gain access to the levers of power to advance their own interests:

The obvious facts about property which both liberal and Marxist theories have obscured are: that all property is power; that some forms of economic power are intrinsically more ordinate than others and therefore more defensive, but that no sharp line may be drawn between [the ordinate and inordinate]; that property is not the only form of economic power and that the destruction of private property does not therefore guarantee the equalization [of power]; that inordinate power tempts its holders to abuse it, which means to use it for their own ends.<sup>60</sup>

To Niebuhr then, the roots of injustice, which both liberal progressivism and radical revolutionism seek to remedy, lie in self-love and self-interest, not in prevailing economic systems, and this is what makes democratic control so necessary. But the subtlety of Niebuhr's thinking about democracy lies in the second part of the subtitle of his work: "a critique of its traditional defense." Democracy is not required, as the farmers

thought, so that we, the honest and pure and enlightened, can curb the self-interest of the industrial "children of darkness." It is required so that we - inevitably blind to our own self-interest and our own self-aggrandizement; inevitably confusers of our good with the general good; inevitably yielders to the temptations of power and prestige if we ever attain power - might be constrained by the democratic power vested in others who might be more objective about our actions than we are. As Niebuhr summed it up in his introduction: "Man's capacity for justice makes democracy possible; but man's inclination to injustice makes democracy necessary."

Niebuhr's ideas on utopianism are also germane to our inquiry. We shall see in succeeding chapters how the farm movement incorporated a streak of utopian expectation which was given the support of divine authority by some advocates of the social gospel. Utopian views, particularly when they undergird themselves with religious authority, postulate a state of human community to which any change represents a diminution of human well-being. Accordingly, dissent tends not only to be unwelcome but to be classed as heresy. Such thinking, said Gordon Harland,

ends up absolutizing values, a process which is always productive of the most virulent of evils [and] is an expression of the Biblical meaning of idolatry. The evil of such idolatrous faith is virulent because it is disguised as devotion to values. No one worships an obvious golden calf to say nothing of an obvious

irrelevance! We worship values ... but the point is that they are worshipped in such a way that they are effectively removed both from divine judgement and human dissent.<sup>61</sup>

In fact, a reform programme which looks to bring about this state of perfection is, of course, a product of the ideologues' own imagination, and is therefore a human and fallible construction. The fallibility, however, is not seen by its proponents and herein lies the danger. Again, Gordon Harland elaborated:

... serious perils inhere in [utopianism] when it is embraced as a conscious social aim. The perils stem from the fact that it wrongly locates the source of evil outside of man in the inertia of either our social institutions or our "brute inheritance." This gives rise to the crusading approach to social and political evils which is productive of both political blindness and the fury of self-righteousness. It further "interferes with an interest in proximate, rather than ultimate, goals, and that is the point which distinguishes a sane political movement from one that is corrupted by false religious visions." The ultimate evil of utopianism is the fanaticism it both breeds and sustains.<sup>62</sup>

Fanaticism is too strong a word to apply to the farm movement, but the precursor to fanaticism is self-righteousness. And it is an appreciation of the self-righteousness resulting from an underestimation of the power of self-interest which leads to yet another criticism of the farm leaders, viz., their inability to see the ambiguity of their own exercise of power. This point of view Niebuhr developed, with somewhat different purpose, in *The Irony of American History*. Any search for justice, he pointed out, must involve the exercise of power to combat the perceived injustice. But because of the inflation of the human ego,

any centre of power always carries in itself the potential for injustice. Niebuhr elaborated:

[The] moral perils are not those of conscious malice or the explicit lust for power. They are the perils that can only be understood if we realize the ironic tendency of virtues to turn to vices if too complacently relied upon; and of power to become vexatious if the wisdom that directs it is trusted too confidently. The ironic elements ... can be overcome ... if ... idealism comes to terms with the limits of all human striving, and the fragmentariness of all human wisdom, the precariousness of all historic configurations of power, and the mixture of good and evil in all human virtue. ... idealism is too oblivious of the ironic perils to which human virtue, wisdom and power are subject. It is too certain that there is a straight path toward the goal of human happiness; too confident of the wisdom and idealism which prompts men and nations toward that goal; and too blind to the curious compounds of good and evil with which the actions of the best men and nations abound.<sup>63</sup>

So Niebuhr gives us a rather unexpected view of the relationship between ideology and religious thought. It is likely, imbued as we are with modern scientific thought, that most of us would incline more readily to a Baconian view of religious belief as something "ideological" in the more pejorative sense: as something that obscures and preconditions our view of social reality. But Niebuhr wants us to view the Biblical message as something which can free us from ideology - can give us that "vantage point" which transcends ideological illusions rather than binding us in them.

IN THE LIGHT OF THIS DISCUSSION, what kind of framework can be used to examine the ideological debate that is the

subject of this study? Rather than formulating a comprehensive approach for evaluating ideologies, we will draw upon the perspectives of the thinkers whose ideas we have reviewed in this chapter to examine various elements of both the agrarian and grain trade positions as we encounter them. The most useful of these perspectives may be summarized as follows:

First, from Barfield, McCloskey and Schumpeter, comes the idea that our perceptions of the world are influenced by the contents of our minds, and as Schumpeter put it, that some preliminary notion of "how things hang together" is necessary before people can make any sense at all of the social reality with which they are confronted. In this sense, it is impossible not to be ideological in making statements of value on economic and social affairs. If one is involved, one's values are an ineradicable part of the "preconceptions" one brings to assessing social realities.

With these three thinkers, we will also accept the metaphorical nature of the concepts used to describe reality. We will endeavour, as McCloskey put it, to keep "the metaphorical content of these ideas ... alive" and "under the control of reasoning." Whether we find the grain trade using concepts like the "invisible hand," or the farmers talking about "orderly marketing," we will not treat

these concepts as literal descriptions of an absolute truth, but as value laden concepts, rooted in human consciousness and devised to assist understanding.

The one idea that we will follow most closely and consistently is Schumpeter's definition of ideology as an "initial vision" which influences the selection and interpretation of empirical data. We will find repeated instances of farm leaders and grain trade representatives having quite radically different views on issues and events, and identifying quite separate aspects of matters as the important ones for attention. The only way of accounting for those differences will be to refer to the fundamental ideological assumptions from which each was operating. To use Schumpeter's words again, the statements made from an ideological position are not lies, but "truthful statements about what a man thinks he sees." (We will also, however, find that sometimes they were mistaken about what "they thought they saw.")

From Dobb, we take several ideas. First, like Smith and Ricardo, we will find that the architects of the cooperative ideologies of the grain farmers were shaped by historical circumstance. Secondly, we will take all ideologies as being essentially partial, "laying emphasis on some factors" while "excluding others or casting them into the shadows" -

or, as Barfield might have put it, "saving some appearances but not others." Thirdly, we will find that Dobb is quite right about "rival viewpoints" coexisting and yielding quite different interpretations of matters. In short, rival viewpoints do not always disagree about what is absolutely true or false, but over what is the more relevant of several partial truths. Finally, we will also find, as Dobb did in the wider context, that the most important issue at stake in the debate between the farmers and the grain trade, was whether price and distribution ought to be governed by market exchange or by "conditions of production."

From Geertz, we take the idea of ideologies arising from conditions of social stress, when the "received tradition" no longer provides a framework for understanding the social reality or acting purposefully within it. We shall also find useful Geertz's concept of the use of metaphor and other literary devices in communicating ideological beliefs, in recruiting followers and in convincing them that policies advocated in their favour would be efficacious.

Finally, we shall take several ideas from Reinhold Niebuhr, all of which stem from his basic concept that ideologies of both the left and right tend to underestimate the power and pervasiveness of self-interest. First, we will find useful his idea that ideologies of both right and

left hold an overly optimistic view of human nature. Both social gossellers and cooperative leaders believed, against overwhelming evidence to the contrary, that human nature is essentially benevolent, and that corrupt behaviour results from flawed systems.

Secondly, we will take his point that ideological movements open themselves to certain dangers when they incorporate utopian elements into their thought. In the light of this perspective, we will examine whether or not the utopian strain within the cooperative movement led it to put its policies above human criticism, and to see its programme as ushering in an "end of history," and whether or not its leaders fell prey to an inordinate self-righteousness.

Thirdly, we will use Niebuhr's perspective on the "irony of history" to examine the extent to which the protagonists of the debate saw, or failed to see, the ambiguity of their own exercise of power.

These various, although complementary, perspectives will be applied to the historical data to answer some of the questions posed at the beginning of this chapter. It should already be evident that both sides in the grain marketing dispute of the 1920's and 1930's were indeed speaking ideologically. What was of interest to the grain trade was

the functioning of an economic system wherein they believed the wants of the individual consumer were paramount and the market should be left free to supply those wants. Accordingly, they found relevant the corpus of theory and knowledge contained in the "received tradition" of liberal economics. On the other hand, the farmers were concerned about the relative power exercised in society by those who owned and managed capital versus those who produced raw products. Accordingly, they had to turn elsewhere for guidance. Within the perspectives of the authors we have considered in this chapter, both were speaking ideologically in the sense that both operated within a framework of inherited, borrowed and invented ideas which helped them to make sense of their experiences. Both held points of view that were historically conditioned. And inevitably, both points of view were partial in their perception, understanding and interpretation of reality. Thus, both may quite rightfully be accused of being ideological, but the charge is wrong in spirit if meant pejoratively as an epithet to distinguish between one's own presumed objectivity and another's blindness.

However, to say the arguments were ideological does not preclude assessing their validity. For example, the pro- and anti-open market forces presented all manner of analyses designed to show that the system which they supported

yielded a better price to the farmer for his grain. Clearly, both analyses could not simultaneously be correct, and later we shall carry out some assessments of the evidence presented to support these competing claims. In this case, the ideological claims are, at least in principle, subject to validation, and either acceptance or rejection.

To the extent that the ideological debate was over the moral quality of competitive versus single desk selling, we are on different ground altogether. Statements about such matters do not lend themselves to verification or falsification. We can, however, subject such views to evaluation within a framework of thought such as Niebuhr's. The agrarian leadership, for example, was much concerned with the concept of economic justice. To Niebuhr, injustice arises from unequal power and its correction lies not in utopian expectations for restructuring society, nor in illusory hopes that new social structures might create fundamental changes in human nature, but in building new power structures to challenge the old. We can, and will, examine the arguments from this kind of Niebuhrian perspective.

At the same time, we will find that "debate" often degenerates to something less. As Mannheim observed, even

within a single society, parties who hold differing ideological views often find themselves, not engaging debate, but

"talking past one another"; i.e. they speak as if their differences were confined to the specific question at issue around which their present discussion crystallized [but they] overlook the fact that their antagonist differs from them in his whole outlook, and not merely in his opinion about the point under discussion.<sup>64</sup>

And that, as we shall find, is exactly what went on between the protagonists in our debate. For much of the time, they were dealing with different matters. The grain trade was talking about how to determine the price of grain in a world of open markets; the farmers were talking about the level of prices in relation to their costs of production. The grain trade defended the honesty and integrity of its members; the farmers attacked the power of business in relation to themselves. Only when they actually discussed the different price levels paid to the farmer by the Pools on the one hand and by the private trade on the other was the debate conducted on the same level. Otherwise, they were talking different languages.

Our primary purpose here will be to listen to the protagonists in this debate, not on the level at which they were heard by their respective opponents in the 1920's and 1930's, but on their own level. Our goal will be to

understand the "language" each was speaking and to interpret both.

This of course means that we must accept the integrity and legitimacy of each position. Thus, on the one hand, trading of grain on the open market, with price discovery through a futures market will be accepted as a technically and morally defensible commercial arrangement, with benefits to both producers and consumers of the product. At the same time, we will listen to the farmers who sought centralized selling, and identify the quite legitimate concerns - concerns that were being voiced and dealt with world wide - about the effects on primary producers of the untrammelled workings of free markets for agricultural products.

If scholarship is anything at all, it is an effort to add to the accumulated wisdom of the race; but a better part of wisdom is humility, the humility to recognize our own transitoriness and the ultimate littleness of our lives in relation to what is, in the universe. To end with a Niebuhrian perspective, this humility must not be merely a ritual scholarly cringe, so much as an identification with Isaiah saying, as he contemplates the awesomeness of God, "Woe is me, for I am undone." One does not have to be a religious person to recognize that it is presumption and vanity that Isaiah loses in this encounter, and that these

are qualities best left behind if we are to come to an empathetic understanding of history. It is this attitude that we shall strive to attain as we now turn to an investigation of the ideological perspectives of farmers and business people of Western Canada, *circa* 1917 to 1935.

## CHAPTER III

### THE RECEIVED TRADITION

#### The Ideological Underpinning of *Laissez Faire*

The study of who gets what and why,  
unlike the study of plants and planets  
cannot help being an ideologically  
charged undertaking

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DISCOVERING THE IDEOLOGICAL COMPONENT in economic thought is a complex and difficult thing to do, especially if one has grown up breathing the air, so to speak, of a market economy. It involves delving back into the philosophical milieu of the 18th and early 19th centuries when Smith and Mill and the other early theoreticians of *laissez faire* were formulating their ideas of how a market economy functions, and in some cases tracing these ideas to their earlier roots.

A full examination of this complex subject is not to our purpose. Rather, we have two rather more restricted objectives. The first is to demonstrate in concrete terms what was argued theoretically in the previous chapter, *viz.*, that economic theory is in fact underlain and infused with ideological assumptions. The second objective is to develop a selective presentation of those particular embedded values

with which the cooperative movement - implicitly or explicitly - took issue.

To achieve these two objectives, we will organize the discussion around five particularly important elements of *laissez faire* ideology, which are not entirely independent, and which must be simultaneously endorsed before an open market economy can function. By examining them one at a time, it will be possible to see their *a priori*, visionary nature.

To meet these two objectives, we will find it particularly valuable to listen to some of the critics of *laissez faire*. In particular, we shall turn to Robert Heilbroner, Gunnar Myrdal and Karl Polanyi, three authorities whose critical attitudes can help us see where belief is underlain by assumption.

THE FIRST OF THESE five ideological assumptions of *laissez faire* thought is that the personal and private acquisition and control of large concentrations of capital is a morally acceptable practice. For Heilbroner, this was the starting point for the evolution of *laissez faire*. "In every pre-capitalistic society," he wrote, "we find acquisitive activity disliked or despised," partly because aristocratic attitudes scorned a true gentleman's need for wealth, partly

because of the church's hostility to moneylenders and usury, and partly because the accumulation of wealth was held to be morally destructive to its possessor.<sup>1</sup> Where we do see large concentrations of wealth in non-market economies - for example, in the estates of mediaeval times- they were sanctioned by "a single legitimating view, sacred in origin." In contrast, within a capitalist society, they are made acceptable on secular rather than sacred grounds, and are separated from the structure and function of the state.<sup>2</sup>

Karl Polanyi, a strong critic of economic liberalism and market economies, made nearly the identical argument. In pre-capitalistic societies, he said, concentrations of wealth are directed to wide social purpose, beyond the private concern of any single owner. In fact, argued Polanyi, in non-market systems, economic activity is "submerged in ... social relationships," and individuals are precluded from placing their own interests ahead of those of their fellow citizens. The individual who does so "cuts himself off from the community and becomes an outcast."<sup>3</sup>

It is clear that the moral acceptance of private wealth does indeed form an essential component of *laissez faire* economic thought and practice. The development of industrial society required (and continues to require) the concentration of large amounts of capital, particularly for

enterprises like railways, communication facilities and capital intensive factories. Moreover, by definition, in a *laissez faire* system, these enterprises are privately owned. The term *laissez faire* itself implies the political and economic freedom granted to private citizens to engage in commercial activity, to own such factors of production, and to conduct these activities without undue hindrance from government or society at large.

It must also be stressed that it is a value judgement, not an objective statement of fact, to say that private ownership is morally acceptable. Heilbroner showed with great clarity just how it is an *a priori*, visionary and moral assumption in his account of the fundamental change in outlook which took place from mediaeval times, and which was required for the development of a *laissez faire* society. He identified two separate movements through which the transformation took place.

The first was "the reinterpretation of avarice or love of lucre, not as a disruptive 'passion' but as a steadying 'interest.'"<sup>4</sup> Even Adam Smith, who on the whole found acquisitiveness distasteful, and who felt "an underlying disquietude with the moral and intellectual tenor of commercial society," held that probity and punctuality were the virtues of commercialism.<sup>5</sup>

John Locke, said Heilbroner, was the second active agent in redemption of acquisitiveness. In his *Second Treatise on Government*, Locke used the example of the person who acquires and cultivates land to demonstrate that he who acquires increases not just his own wealth, but the wealth of society: where land lay idle before, food is now produced.

According to Heilbroner, these two lines of argument broke through what had hitherto been powerful moral sanctions against the private ownership of wealth, and opened the way for unlimited acquisitiveness.

The ideological assumption which Heilbroner's argument lays bare, to some extent follows from empirical observation of what we see landowners doing with their lands. But it is also very much a "vision" in a Schumpeterian sense - a selection from the empirical data of experience as to what seems to be important. The new vision of property focussed on those prudent, industrious, responsible landowners, without whose enterprise the land would have lain idle, and the people have gone hungry. In the new vision, the baronial manor was the just reward for creating wealth where before there was wasteland. From such perspectives, emerged a "vision" of landowning consistent with the ideology of free enterprise.

We shall see, however, that contrary visions focussed on different things: the power invested through ownership; a belief that the land itself is the common heritage from which all should benefit equally; and the observation that the land would not have come into production without the sweat and toil of the farm labour. These contrary visions looked on the manor house as an ill gotten gain extracted from the value of the farm labourers' toil, and from these perspectives came an alternative ideology which is hostile to property, and sympathetic to legislative limits on its ownership and control.

Empirically, neither vision can be said to be in error, because examples of both responsible and irresponsible use of the power of wealth could be found in the days of Locke and Smith, and can be found today. The point is not the relative strength of evidence for each such vision, but that alternate and competing ideologies start, as Schumpeter put it, from what people think they see - from what they select as important from their experiences.

That private wealth had to receive moral sanction for *laissez faire* to function is clear. No society could possibly function if it held in moral contempt the people in whose hands the ownership of the very means of production was placed. Of course there were rules of conduct. As

Irving Kristol put it, "commerce is not liberated in all respects," and both laws and moral precepts governed the right use of the power and wealth of entrepreneurs. But a fundamental moral disapprobation of the holding of wealth could not exist as a widespread moral attitude within a capitalist society. It is apparent therefore that a sea change of moral values had to occur in order for a *laissez faire* economy to come into existence.

THE SECOND POINT OF ENTRY of ideological belief into the received tradition lies in its assumptions about the relationship between individuals and society. These assumptions are in fact the central defining characteristic of a liberal economy. They are particularly profound because they encompass some fundamental beliefs about human nature and society.

In essence, *laissez faire* invested the individual with a freedom and authority in the economic sphere that had been granted by no society prior to it. William Grampp, an economist at the University of Illinois, defined a "liberal economy" as one in which individuals decide what is to be produced, how goods shall be distributed, and by what means production and distribution shall be carried on.<sup>6</sup> This definition explicitly identifies the supremacy which liberalism grants to the individual (and correspondingly

removes from society at large) in matters of production and distribution. Implicitly, it also identifies the freedom - from law, custom and other social constraint - given to individuals to make these decisions as they see fit.

To Heilbroner, the assumption that the individual ought to have this freedom and authority again marked a turning point in human thought, and it is worth quoting him at some length:

Whereas in all previous systems one individual alone is considered to be no more than the dust of a shattered social organism, in bourgeois societies he or she is imagined to be a self-sufficient cell from which a living social organism is constructed. That which is ideological about this political conception is [its assumption that] the "individuals" who meet to form governments [are] without any social ties [and] interact through market exchanges and contractual obligations. ...

The particular kind of use uppermost in the minds of the intellectual fathers of liberalism was the economic act of participating in the market bargain.<sup>7</sup>

Karl Polanyi advanced the same argument, claiming that, by enthroning the individual, and by recognizing only the most minimal of voluntary and contractual obligations between Hobbesian citizens, capitalist societies created forces destructive to our humanity. To Polanyi, these assumptions led to a false and ultimately fatal division of life into two realms: the economic, which is considered to be concrete and real; and the ideal, which is considered to be ethereal and fictitious. Polanyi thought that the evidence from anthropological research proved this division

to be unnatural to human life, claiming that non-market economies integrated the two realms, with the economic being subordinated to the social. The most prominent finding from the study of non-capitalist societies, said Polanyi, was "the changelessness of man as a social being."

*Laissez faire's* quite different vision of human nature and society can be quite vividly illustrated by juxtaposing some key quotations from Polanyi and Grampp. To Polanyi, because the economy of non-capitalist societies is "submerged in ... social relationships," a person

does not act so as to safeguard his individual interests in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only insofar as they serve this end.<sup>9</sup>

In contrast to the concept that social concerns are paramount, *laissez faire*, said Grampp, holds

that each person sought to protect first his own life, liberty and possessions, that he was by nature principally interested in his own welfare, and that any other course of behavior was unnatural and hence uncommon.<sup>9</sup>

Polanyi argued that societies which put social considerations ahead of individual ones could not and did not rely on markets to govern production and distribution, but rather on what he called "reciprocity" and "redistribution." Under the first, people are expected to provide for the material needs of a quite wide extended family, and face a ruined reputation if they do not.

Similarly, "redistribution" requires the voluntary surrender of some part of society's production to duly recognized authorities for distribution to all at times of shortage, community festivals and points at which some kind of community solidarity is required.<sup>10</sup> Polanyi argued that these incentives preceded the "motive for gain" which the Enlightenment philosophers had thought to be ubiquitous, but which in fact was of recent origin. He went on:

Fear of privation or love of profit need not be altogether absent. Markets occur in all sorts of societies. But isolated markets do not link up into an economy. The motive of gain was specific to merchants, as was valor to the knight, piety to the priest, and pride to the craftsman. The notion of making the motive of gain universal never entered the heads of our ancestors. At no time prior to the second quarter of the nineteenth century were markets more than a subordinate feature of society.<sup>11</sup>

Polanyi took a negative view of the process of industrialization, and the replacement of traditional distribution mechanisms by the market. It led to "a paralyzing division of labour, standardization of life, supremacy of mechanism over organism, and organization over spontaneity." Moreover: "We find ourselves stultified by the legacy of a market economy which bequeathed us oversimplified views of the function and the role of the economic system in society."<sup>12</sup>

According to Grampp, Adam Smith would have agreed that markets were not the primary means for determining "who gets what and why," during the Middle Ages; but again in contrast

to Polanyi, Smith viewed this as undesirable. To Smith, these primitive economies were poverty stricken, and failed to "supply [man] with the means of indulging his finer nature." Only when the "obstacles to exchange" were broken down was he "then able to turn his efforts to providing more than the necessities of life." Once this happened,

those who had been [previously] dependent upon the nobility were forced into productive occupations, and their characters improved remarkably. Once slothful ... demeaning ... insolent ... and depraved ..., they now became industrious, prudent, honest, and enterprising.<sup>13</sup>

Again it must be stressed: these contrary views of Smith and Polanyi are in fact *a priori* and visionary in nature. They are not primarily founded upon empirical evidence, but upon assumptions about what behaviour is natural, ordinate and fitting, and what is not. It is true that Polanyi sought to support his position with the results of anthropological research. But from anthropology's positive descriptions of behaviour in less developed societies, Polanyi drew the quite unsupportable normative conclusion that economic behaviour and belief structures in such societies were natural and apt to human nature, whereas economic behaviour in nineteenth century Europe was not.

The relationship between individual and state also involves the question of freedom, and in the economic sphere, the essential freedoms are those which enable one,

free of law and custom, to choose a profession, to enjoy the full fruits of one's labour, and to use and dispose of one's property as one wishes. To Jacob Viner, freedom was the quintessential characteristic of *laissez faire*. Economic liberals of his type wished to restrict the powers of governments to matters of peace, commutative (as opposed to distributive) justice, foreign defense and certain public works.<sup>14</sup> But as Heilbroner pointed out, the architects of "this liberal design" were also its beneficiaries:

the prototypical economic actor for whose purposes this liberal design was intended was the merchant or nascent industrial capitalist, for his social effectiveness required the right to conduct his affairs as he wished and to be quit of government-enforced obligations beyond those explicitly included within his contractual agreements.<sup>15</sup>

The paradigm case upon which the grounds for economic freedoms rested was Locke's landowner. Having rendered the property of some value through the application of labour, it was held to violate principles of natural justice to impose restrictions on its use and disposition. The intuitive appeal of Locke's argument in the simple case where the title to property arises through direct labour is compelling. However, as the critics of *laissez faire* pointed out, title to property arises in ways unrelated to improvements in its productivity - inheritance being the most obvious example.

Around this dichotomy, Gunnar Myrdal defined what he called "two postulates" of freedom: the "conservative" postulate holding to a non-interference policy in property rights under existing conditions; the "radical" concept embodying greater faithfulness to Locke's original formulation. Under the "radical" concept of freedom, property rights can be circumscribed, and interference sanctioned, in order to restore "the natural state" wherein each person has the opportunity to establish, through the addition of labour and initiative, undisputed rights to any property he or she improves.<sup>16</sup>

*Laissez faire* theory tended to incorporate the conservative concept of liberalism, but Marx and the early British socialists drew on the classical writings of Adam Smith and his contemporaries to formulate a radical critique, asking "what caused the deviation ... from the ideal state, in which everyone received the fruits of his labour" or a share "proportional to his needs." Their answer was "certain legal institutions, property, inheritance," which therefore had to go.<sup>17</sup>

These two elements then - the concept of society as a contract between otherwise unrelated individuals coming together in the act of exchange, and the concept of the social contract providing the maximum range of freedom for

exchange to occur - form the basis for *laissez faire's* theory of the relationship between society and the individual. In contrast, societies such as those which Polanyi described, where the "vision" of social obligations places them before the rights of the individual to exchange labour for goods, and to acquire and dispose of property, could not have developed an open market economy.

THE THIRD IDEOLOGICAL ELEMENT of liberal economic theory to which attention must be drawn is its utilitarian underpinning. Utilitarianism was a powerful current in philosophical thought in the early nineteenth century, and its fundamental vision of human nature may be found in Jeremy Bentham's oft quoted maxim: "Nature has placed mankind under the governance of two sovereign masters, *pleasure* and *pain*. It is for them alone to point out what we ought to do, as well as to determine what we shall do."

The Utilitarians thought that they had placed ethics on a firm scientific and objective basis. It remained only to develop the appropriate tools for measuring satisfactions, and by adjusting the parameters of public policy, the maximum welfare of society could then be achieved.<sup>18</sup> They were wrong on both practical and theoretical grounds.

From a practical point of view, the definition and measurement of "satisfactions" and "welfare" present insurmountable technical problems. Material goods might be measured on the basis of their costs, but what of the non-material? For example, how much of the income available through an urban profession might a farmer's son be willing to forego to carry on the family farm? And even more difficult, how does one compare the relative satisfaction which two people receive from owning identical goods? These questions entail comparing satisfactions between different people, a task that would not only be overwhelming in magnitude, but absolutely impossible in fact. This problem of so called "interpersonal comparison of utility" is one that has always plagued the discipline of economics and is a constant source of dispute. To some scholars, Myrdal included, its intractability vitiates the entire theoretical framework.

These technical difficulties are not, however, the most serious criticisms of utilitarianism. There are two others which are more profound. The first of these can best be illustrated by an example such as slavery. Under utilitarian principles, assuming properly enforced laws as to treatment, and guarantees of certain minimal standards of personal freedom of expression, worship and conscience, and

assuming the satisfactions of security and material well-being could be shown to outweigh the dissatisfactions of loss of liberty, there is no reason why slavery could not be considered an acceptable institution. No utilitarian principle precludes on moral grounds one person from owning another as he or she might own an automobile. This "moral monstrosity" is one of the major reasons why utilitarianism has largely faded from the field of ethics, and why it has been almost completely rejected as one of the guiding principles of jurisprudence.<sup>19</sup>

Even more profoundly, the postulate that people inevitably act so as to seek pleasure and avoid pain can be shown, on the ground that it cannot be falsified, to be without meaningful content. The hypothesis that a person may sometimes act against the pleasure principle out of a sense of duty will not be admitted by the committed utilitarian as evidence against his thesis. The pleasure derived from (or the shame avoided by) the act of duty, however seemingly disagreeable or self effacing, he would argue, must have exceeded the physical pain or risk to life entailed in the dutiful act.

Now, a postulate that is not, at least in principle, falsifiable, is neither scientific nor even meaningful. It is a slogan, empty of content. What does it mean to act so

as to seek pleasure? It means we act as we do. Is there any possibility of a person acting contrary to the principle? No there is not. How then can we distinguish between behaviour that conforms to utilitarian principles and that which does not? There are no distinguishing characteristics. The idea is empty.

However, neither practical nor theoretical objections stopped utilitarianism from becoming the underlying philosophy of economics. For purposes of developing a body of economic theory, human beings are largely assumed to be unremitting seekers of material betterment, constantly analysing how the most satisfaction is to be had from an always limited income. Said Lionel Robbins, in his 1932 classic, *The Significance of Economic Science*:

the foundation for the theory of value is the assumption that the different things that the individual wants to do have a different importance [i.e. utility] to him, and can therefore be arranged in a certain order. ... From this elementary fact of experience we can derive the ideas of substitutability of different goods, of the demand for one good in terms of another, of an equilibrium distribution of goods between different uses, of equilibrium distribution of exchange and of the formation of prices.<sup>20</sup>

And of course, Robbins was right. We do make choices in conformity to the principle of "utility maximization," and we do act as economic theory assumes with sufficient frequency to make a market economy function. It is therefore difficult to make the case that economic theory is vitiated by its utilitarian basis.

The problem is not so much that the idea is wrong, but that it is woefully incomplete. It is clear that decisions about "who gets what and why" are not always made by individuals, and individuals do not always act on utilitarian premises. For example, in this day of medical transplants, it is widely accepted in our society that human organs ought not to trade in the marketplace. It is widely accepted that the healthy kidneys of an accident victim ought not to be available for transplant to the highest bidder. In fact in Canada, we have largely removed health care *in toto* from free market exchange.

Robbins acknowledged that we do not always make our choices on utilitarian principles. We might, he said, "be pure egoists, pure altruists, pure ascetics [or] pure sensualists."<sup>21</sup> But he thought that the underlying reasons for our choices were irrelevant to the validity of economic theory. He did not, however, ask what would happen if we looked at food, land and labour as we do transplant organs. What would happen to a free market economy if moral considerations precluded free market exchange altogether for commodities that now trade on a large scale? There is no certainty, if enough items were withdrawn from market exchange, that the theories would have any applicability at all.

An example from the subject matter of this thesis will illustrate how limiting the utilitarian basis of economic theory can be. In the 1920's, farmers suffered from a world wide post-war price collapse that devastated farm income. When they turned to orthodox economic theory to understand what happened, they encountered a discipline whose fundamental starting point was Robbins': that value of the commodity upon which their entire livelihood depended, was established not by its intrinsic value and absolute necessity as "the staff of life," but rather on the free choice of "utility maximizers." It was not helpful.

THE FOURTH POINT AT WHICH ideological assumptions enter liberal economics is in the concept of "economic man." It is arguable that this is not really a separate point, but that it flows directly from the first three: a conception of human beings as acquisitive, self centered utilitarians who are assumed to possess the freedom to pursue their individual wants under minimal constraint.

The concept springs from the common supposition of Enlightenment philosophy "that man is by nature motivated by desire for material gain and the motive has no natural limit. It leads him to grasp what he can in complete disregard to the rights of others." Moreover, either human

beings "were intended by the Deity to act in this way, or were so constituted psychologically to make any other form of behaviour impossible." This idea was appropriated by Smith from a long line of authoritative works, among whom Grampp cited Richard Hooker's *The Laws of Ecclesiastical Policy*, Hobbes' *Leviathan*, Locke's *Second Treatise on Civil Government*, and Montesquieu's *Spirit of the Laws*.<sup>22</sup>

Proponents of *laissez faire* did not always acknowledge the power of the idea. To Lionel Robbins it was "absurd" to think that economists believed in a "world ... peopled only by egotists or 'pleasure machines'." Rather, they merely hold that people make "relative valuations" which

may be of various degrees of complexity. In my purchase of bread I may be interested solely in the comparison between the bread and the other things in the circle of exchange ... But I may be too interested in the happiness of my baker [or other non-monetary considerations.]

As far as Robbins was concerned, economic man was merely "an expository device" used "cautiously" to develop the theories of *laissez faire*.<sup>23</sup>

However, to some of the critics of free enterprise, the idea was not as benign as it was to Robbins. They identified two difficulties. First, they argued that, rather than merely a device to *explain* human behaviour, it was a new and false article of faith which *determined* the

whole edifice of economic thought. To Polanyi, it was Adam Smith's suggestion:

that the division of labour in society was dependent ... upon man's "propensity to barter, truck and exchange one thing for another" [which] was later to yield the concept of the Economic Man. In retrospect it can be said that no misreading of the past ever proved more prophetic of the future. [Eventually it was assumed] that the human race was swayed in all its economic, if not also in its political, intellectual, and spiritual pursuits, by that one particular propensity.

It was because this "fallacy" was repeated so often, and by so many influential thinkers, said Polanyi, that dissent disappeared. The concept became so widely accepted, that "there was no need for argument."<sup>24</sup>

The second difficulty with the concept of "economic man" lies in how ideology and practice reinforce one another. To Robbins, the concept simply helped to explain human behaviour - in Barfield's terms it was a hypothesis to account for appearances. But to its critics, it has so influenced everyday thought as to shape human behaviour. Again, Polanyi put this view clearly:

... once society expects a definite behavior on the part of its members, and prevailing institutions become roughly capable of enforcing that behavior, opinions on human nature will tend to mirror the ideal whether it resembles actuality or not. Accordingly, hunger and gain were defined as economic motives, and man was supposed to be acting on them in everyday life, while his other motives appeared more ethereal ... Honor and pride, civic obligation and moral duty, even self respect and common decency, were now deemed irrelevant to production, and were significantly summed up in the word "ideal." ...

It [became] almost impossible to avoid the erroneous conclusion that as "economic" man was "real" man, so the economic system was "really" society.<sup>25</sup>

There can be no argument that we do, as individuals, make economic decisions. It is also true that a market economy sweeps increasing portions of everyday life into the commercial sphere as entrepreneurs and merchants seek to sell an ever broader array of goods and services. It is also clear - as the example of traffic in human organs illustrates - that before any element of human life can enter into commercial channels, a normative judgement must be made that it belongs there. Every society must make these judgements, and they are made not on the basis of objective, value-free statements of what human nature *is*, but on the basis of value-laden moral perceptions of what human nature *ought to be*. "Economic man" is one such perception. Its adoption as the basis for morally acceptable behaviour implies that a person's rightful due is what his or her talent, energy and ingenuity can yield, not what might be granted by supra-personal authority in society. Its rejection implies the opposite. Each of these forms of economic decision making carries the potential for justices and injustices. But the key point here is to recognize that each is ideological in that each starts from a different moral vision.

As Dobb's arguments make clear, it is not a question of whether people are by nature individual self-seekers or communitarian sharers. They are both. "Economic man" is therefore an incomplete view of human nature, and the question must be asked as to whether, as life becomes increasingly commercialized, what is partial might come to obscure the wholeness of human life.

Similar questions are being asked in other disciplines. For example, it is useful, for certain medical purposes, to consider human beings purely as biological organisms; but it is increasingly being questioned whether the success of this approach - which is ideological in nature - has not caused medical practitioners to ignore other facets of life upon which health depends. Hence the emergence of holistic medicine that argues we ought not to conduct medical practice on so narrow a basis as "biological man." The thrust of criticisms like Polanyi's is of a similar nature: that we ought not to conduct economic life on so narrow a basis as "economic man."

THE FIFTH AND LAST of the ideological assumptions inherent in *laissez faire* is the belief that there exists "a harmony of interests" between members of society in economic matters. Gunnar Myrdal traced the development of this

belief back, first to the Physiocrats, and secondly to the infusion of utilitarian belief into economic thought. Under Physiocratic belief, only the individual can know his or her best interests and therefore can take responsibility for advancing that interest. If this be done within the dictates of "natural" law, it cannot proceed to the detriment of another. From this particular "vision," came the notion that economic interests could be assumed to be "in harmony."

To Myrdal, the concept of harmony of interests infused economic thought from one end to the other, and over the years repeatedly featured in subtle and not so subtle defenses of *laissez faire* ideology.

The paradigm case upon which *laissez faire's* harmony theory rests is once again Locke's industrious landowner. This person manages the property, buys implements for tillage and harvest, and does everything necessary for agricultural production. The workers till the soil, fix the machinery, tend the animals, and harvest the crops. Everyone benefits; each would be in worse straits if the land had lain idle. Ergo, their interests are harmonious.

This logic, applied inductively, solved a myriad of problems. For example, recall that the utilitarian welfare calculus necessary to maximize the sum of satisfactions is

impossible to perform. However, no complex and difficult calculation is required if it can be assumed that economic interests are in harmony. If the factory exists, owner and employees must, under this universal principle framed by Locke, be better off. Questions of abuse of power, depressed wages, the ethics of child labour, or hours and conditions of work are irrelevant or inadmissible - or perhaps just deemed to be of secondary importance. With Locke's landowner lurking in the background of our mental picture of the world, and the harmony principle established beyond all question, the natural assumption is that the seemingly oppressed are better off as they are, however hard their life might appear.

Belief in harmony of interests also lies at the heart of another tenet of *laissez faire*, "the invisible hand." Adam Smith introduced this term in a passage that is often quoted, but not often at great length.

... the annual revenue of every society is always precisely equal to ... the whole annual produce of its industry ... As every individual, therefore, *endeavours* as much as he can ... to direct that industry that its produce may be of the greatest value; every individual *necessarily* labours to render the annual revenue of the society as great as he can. He *generally*, indeed neither intends to promote the public interest, nor knows how much he is promoting it. ... by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is *in this as in many other cases*, led by an invisible hand to promote an end which was no part of his intention. Not is it *always* the worse for the society that it was no part of it. By pursuing his own interest he *frequently* promotes that of the society more effectually than when he really intends to promote it.<sup>26</sup>

Grampp thought that Smith's qualifiers, which are here shown with Grampp's, not Smith's, italics, were ignored by his successors with the result that they gave to the concept of the "invisible hand" an absolutism that Smith had not intended. Be that as it may, Locke's landowner and Smith's invisible hand became the mental furnishings of all educated people, and together created a "vision" of society in which the possibility of economic conflict was largely ignored. Myrdal showed, in the following passage how they came together - and at the same time gave a moral sanction to the accumulation of wealth:

The argument runs roughly as follows. We live in society and depend on each other's services. ... These services are rendered most effectively if we allow free play to self-interest. Acquisitiveness is a force which Providence has placed in our nature. Its fruits accrue to the benefit of all, if only we let it move without hindrance. Whenever someone increases his income, all benefit. For he can only succeed by offering to his fellows better and cheaper services than his rivals; hence consumption guides and directs production.

Thus spontaneous harmony of enlightened self-interest seems to have been established. For classical economists this argument had almost a religious character. Adam Smith gave it immortal expression in the words that the individual "is led by an invisible hand to promote an end that is no part of his intention."<sup>27</sup>

The attractiveness of the assumption of a "harmony of interests" was therefore irresistible to those who framed the ideology of *laissez faire* and to those who became major players in the market economy.

But again, it must be emphasized: the principle was pure assumption the objective truth of which was deduced from simple examples; contrary evidence was simply not "seen" by those to whom the theory was useful.

The dispute between farmers and the grain trade illustrates how a "vision" - what one selects as important from ambiguous empirical data - can either confirm or deny the harmony theory. Clearly, both the farmers and the grain trade had an interest in agricultural development of the West. Both the farmers' abilities to produce, and the traders' abilities to market, were necessary and complementary for the task. But the farmers felt themselves subject to the economic power of large commercial organizations. What they saw from their perspective was railways and grain merchants advancing their own interests by appropriating an undue share of the value of the crop. To the grain merchants, on the other hand, such value as the crop possessed, it acquired through their marketing efforts.

The ambiguity arises because both conflicting and harmonious interests exist. Without the farmers, the merchants would have had nothing to sell; without the merchants, the farmers' grain would have spoiled in the granary. Their interests in bringing the Prairie into wheat production were harmonious. But once the crop was grown and

moved, it was the price paid by the overseas buyer which created the proceeds to be divided. A bigger slice for the farmer meant a smaller for the merchants and railways. On this head, the two groups had a clear and obvious conflict, no matter what the theoreticians of *laissez faire* might have to say about it.

THESE FIVE ELEMENTS THEN - a moral acceptance of private wealth, a changed and less organic view of the relationship between the individual and society, a utilitarian underpinning to economic theory, a belief in "economic man, and faith in the "harmony" of economic interest - were the major ideological assumptions which came to underlie *laissez faire*. Without wide acceptance of this complex of assumptions, a market economy could not have come into existence, nor would the discipline of economics have developed the conceptual framework which it did.

Although these five elements will form useful points of reference when we come to consider the cooperative movements ideological alternative to *laissez faire*, it was not, in general, the philosophical underpinning of the system that was the focus of the farmers' attack, but the market itself. The market, of course, was the concrete manifestation of the ideology.

The absorption into the marketplace of the widest possible range of economic activities is the signal characteristic of a *laissez faire* system. This is a process that Heilbroner called "commodification,"<sup>20</sup> and with which Polanyi took particular exception. And as the example of transplant organs illustrates, it is not difficult to see that the inclusion or exclusion of certain transactions and goods from the marketplace is governed by moral choice.

But these are not the only commodities against whose inclusion in the market sanctions might apply. Polanyi argued that land and labour were not commodities, and should not therefore trade as do boots and shoes. The core of his argument is that commodities, by definition, are things which are produced for purchase and sale, whereas labour "is only another name for a human activity that goes with life itself" and "land is only another name for nature," neither of which is produced for trade. Land and labour are forced into the market system, said Polanyi, firstly because it could not function if such important components of the economy were excluded, and secondly because of the widespread acceptance of ideological assumptions we have discussed here.

Polanyi argued that this process of commodification could not possibly be carried to its logically extreme conclusion:

To allow the market mechanism to be the sole director of the fate of human beings and their natural environment ... would result in the demolition of society. For the alleged commodity "labor power" cannot be shoved about, used indiscriminately, or even left unused, without affecting the human individual who happens to be the bearer of this peculiar commodity. In disposing of a man's labor power the system would, incidentally, be disposing of the [man] attached to the tag. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed.<sup>29</sup>

Polanyi wrote these words in 1944 - well before the days of organ transplants or environmentalism. However, these modern examples are powerful illustrations of what Polanyi was talking about. We are quite used to land and labour being embedded in the market economy, and arguably have developed mechanisms that thwart the untrammelled operation of the market in determining how they are employed. But we can appreciate Polanyi's moral aversion more readily if we think about commercial traffic in kidneys and lungs.

These ideological assumptions are so deeply embedded that it is difficult, even for professionals - and even when they are explicitly addressing the matter of embedded values - to distinguish them. Robert Solow, for example, thought it difficult "to see how ideology sneaks into an attempt to discover how purchases of frozen orange juice respond to changes in price."<sup>30</sup>

If the arguments made in this chapter thus far are clear, the answer to Solow's question is apparent. First, they "sneak in" in the form of a moral decision that the price and distribution of orange juice ought to be determined by the market. Access to orange juice, in short, does not have the moral implications which access to transplant organs does. Secondly, ideology enters because it is assumed that buyers of orange juice will behave like "utility maximizers," cutting back consumption in response to higher prices, and redistributing income to alternate beverages. It is assumed, in other words, that the consumption of orange juice is an economic question. The possibility that orange juice consumption may be governed by custom, ritual or health is not ignored, but it is relegated to the background. Even if the consumption proved to be invariant over some reasonable range of prices, the question as posed would invite an answer put in the language of the received theory: demand would have been found to be "inelastic." True, an analyst might venture to point out that, for the people whose reactions were measured, orange juice played some part in their lives which lay deeper than utility and which caused them to be insensitive to price. But these would be taken as explanatory variables lying behind the central question, and would not be considered within the realm of economics.

Perhaps it is not so much a matter of ideology "sneaking in" as it is of shaping the way that the questions are framed - what Warren Samuels called the "fundamental paradigm or cognitive system which provides the framework for thought and meaning."<sup>21</sup>

Are there alternate "frameworks" for looking at economic issues? It is worth looking ahead a little in this study. Farm leaders held somewhat ambiguous attitudes to trade in food. On the one hand, they never entirely renounced the belief that the price of wheat should be set in accordance with supply and demand; at the same time there was a significant strain of opinion among their ranks that looked at food in the same way Polanyi would have had us look at land and labour: as a basic human need that ought not to enter commercial channels.<sup>22</sup> Going beyond the question of whether goods like land, labour and food should trade in the marketplace, Kuttner thought one "could imagine a wholly different sort of economics" which concerned itself with questions such as:

What institutional circumstances merit public intervention? What are the links between economic performance and cultural and political values? When is the famous trade-off between equality and efficiency a genuine imperative, and when is it only a rationalization for privilege? ... What practical costs and what benefits to dynamic efficiency do different forms of redistribution incur? What really motivates human behavior, and under what circumstances are impulses cooperative and altruistic as well as self interested?

According to Kuttner, "the most common dismissal" to those who asked such questions was "That's very interesting - but it isn't economics."<sup>23</sup>

As McCloskey pointed out, people like Smith and the Mills and Ricardo were rather more aware of the points at which values and assumptions entered economic thought than were their successors. But as economists, politicians and business people struggled over some hundred or so years to bring a liberal economy into being and to understand its workings, the values that underlay the theory tended to be forgotten, and the mental picture that educated people had of the economic process tended to evolve into an accepted "science" of economic behaviour. By degrees, the entire edifice became so elegant and compelling that the theory itself slowly transmuted from a positive description of how certain limited elements of society worked under certain circumstances, to a normative one of how they should work: from an is, to an ought. As Polanyi put it, "economic man became real man."

WE BEGAN BY STATING that this study does not deny the moral legitimacy of a market economy, and the purpose of citing these critics of *laissez faire* has not been to accept their positions, nor to suggest that their arguments are the

compelling and final word on the subject. The argument can still be made that a market economy - with all the ingrained assumptions and attitudes necessary to make it function - may very well be the most desirable way to make pricing and distribution decisions. The historical evidence is that market economies are tremendously productive and create levels of wealth, even among their poorer members, that would have been the envy of previous centuries. There is also no great evidence that the alternatives work very well at all.

However, that is not what is at issue here. What this chapter has tried to demonstrate is that both the edifice of economic thought and the successful functioning of a market economy itself, require the broad acceptance of a set of value judgments: ideological assumptions about the nature of man and society. Without widespread acceptance of these values, a market economy could not exist, nor would our understanding of how an economy works be as it is. The "scientific paradigm" would be different. It is these assumptions that are rarely examined - except in times of crisis, when the received tradition does not provide the resources to understand the circumstances in which people find themselves, and they seek, as Geertz put it, new ideologies "to render otherwise incomprehensible social situations meaningful."

When we later come to examine the cooperative ideology which farmers constructed to put in the place of this "received tradition," we shall find the analytical framework that we have developed here very much to our purpose. First and foremost, we shall find that the focus of farmer hostility to the economic system was the market. Moreover, we shall find that the farmers' objections to the market, while not nearly as well articulated as Polanyi's, reflect the same concerns about human community and about the destructive effects of having their labour treated as a commodity. We shall find the farmers very much opposed to the accumulations of large private fortunes, and hostile to the economic power that such concentrated wealth brought with it. We shall see that this opposition was as much a "vision" of the moral unacceptability of private accumulation of capital, as *laissez faire's* "vision" of its acceptability. We shall find that in place of an individualism divorced from social responsibility, the cooperators developed an ideology that put interpersonal responsibility in the forefront. And we shall see that in place of the hopeful and naive faith in the harmony of economic interests, they had a keen appreciation of the conflict which can arise between the economic interests of groups in society.

## CHAPTER IV

### SOURCES

#### Background to the Cooperative Movement

Co-operatives ... originated and developed because they have their own peculiar strengths, one of the most important being that they have supplied something that takes its logic from outside the market.

*Murray Fulton and David Laycock*

AS CHARLES GIDE AND CHARLES RIST, in a classic 1909 French study of the history of economic thought, observed:

"The doctrine of absolute *laissez faire* was not long allowed to go unchallenged. From the time of Smith onward, there is an uninterrupted sequence of writers - all of them by no means socialist - who ventured to attack the fundamental propositions of the great Scotsman and who attempted to show that his practical conclusions were not always borne out by the facts."<sup>1</sup>

Indeed, as discussed in Chapter II, "the facts" which such writers observed, were those which *laissez faire* theorists often ignored, or considered to be of secondary importance, but which the challengers could not satisfactorily interpret within the categories of thought they had inherited. These inconvenient facts were those which related to the experience of workers in early capitalist enterprises. Robert Heilbroner described one account of such experiences where child labourers "scrambled with the pigs for the slops" and "were kicked, punched and sexually abused," while their employer "had the chilling

habit of pinching [their] ears until his nails met through the flesh." Heilbroner admitted that "such frightful brutality was the exception rather than the rule" and thought that perhaps "the reformer's zeal has embellished the account."<sup>2</sup> Nevertheless, there can be no doubt that life for many was bleak, and that the challenges arose in response to just such conditions.

A modern study by Oser contains a chart showing eight schools of economic thought which to varying degrees were hostile to liberal economics. The earliest was the Utopian Socialism of Robert Owen, followed by Marxism, Veblen's Institutionalism, German Historicism, Anarchism and three other distinct schools of socialist thought: State, Fabian and Christian. Interestingly, cooperativism is missing from Oser's chart as a separate school, and indeed, most historians of economic thought tend to dismiss it with little more than a footnote. When mentioned, it is usually classified as a subset of "utopian socialism," and taken as the single surviving descendant from the ideas of Robert Owen.

Perhaps, the reason standard texts do not treat cooperativism separately is that cooperative thought is itself divided along lines which tend to parallel the major economic schools. For example, Casselman divided

cooperativism into what he called the "Socialist Cooperative," the "Cooperative Commonwealth" and the "Competitive Yardstick" schools. The first sees cooperativism as the first step to a socialist economy; the second visualizes cooperatives as the dominant organizations within a free enterprise economy; to the third, cooperatives are a means of correcting the specific abuses within a market economy.<sup>39</sup> These roughly parallel Ian MacPherson's categorization of Canadian cooperativism into "utopian," "occupationalist" and "pragmatic" schools.

These divisions notwithstanding, it is the contention of this thesis that predominating among the ideas that were expressed, and finally governing the policy choices that were made by Canadian prairie farmers as they built the Pools and the Canadian Wheat Board, were strains of opinion that were concentrated on the left wing of economic thought. Accordingly, the western farm movement and its cooperative organizations were largely hostile to the market and to the ideological underpinnings of *laissez faire*, and correspondingly sympathetic to centralized and regulatory mechanisms for determining price and allocating resources.

The producer coop movement in Western Canada was deeply influenced by cooperative thought in both the United States and Britain, and it is the purpose of this chapter to review

the background to the movement in these two countries: their origins and the ideas of some of their important thinkers.

WHILE THERE WERE SCATTERED ATTEMPTS at cooperative enterprise as early as the late 1700's, the British Cooperative movement is widely acknowledged to have its roots and beginnings in the thought of Robert Owen, an early nineteenth century industrialist-turned-reformer, who staged a single handed revolt against the excesses to which Heilbroner referred. Owen achieved early success in life in textile milling, owning a quarter share in a successful mill by his very early twenties. However, he is best remembered for his milling town of New Lanark, Scotland, which he used as a living laboratory for his experiments in industrial organization, wages, and social life. The community became a showpiece for reform. Between 1815 and 1825, no less than twenty thousand people signed the guest book at New Lanark, and what they came to see "was living proof that the squalor and depravity of industrial life were not the only and inevitable social arrangement": neat rows of houses, clean streets, schools for the children who were spared, at least until age eleven or so, from factory toil.<sup>4</sup>

These were powerful images to those whose "initial vision" of social life in industrial England was taken from its bleakest side, and in consequence Owen had many devoted

followers. Among them were several of the twenty-eight or so "pioneers" who eventually founded the Rochdale Cooperative, the organization from which the present cooperative movement may be traced in an unbroken line.

Like Adam Smith, Owen had an antipathy to what he thought were the base and unworthy motives encouraged in *laissez faire* society. To Owen, said Bonner, capitalism was "a selfish system [under which] there could be no true civilization for by it all were trained to oppose and often destroy one another by their created opposition of interests."

"Profit" was the mainspring of these ills, because, said Owen, it "brought into action the lower passions of human nature," counted "cost rather than intrinsic worth," and caused "cunning and deception" to usurp "wisdom and sincerity."<sup>5</sup> This opposition to "profit" as an essentially exploitative and parasitical appropriation of the value of goods produced by others runs like a red thread through cooperative thought of all descriptions - even, albeit in much bated form, through some cooperatives of Casselman's "competitive yardstick" variety - and it was to find practical expression in the "Rochdale principles" governing return on capital and distribution of commercial surplus.

Owen's critique of capitalism goes straight to the ideological underpinnings examined in the previous chapter: the antipathy to private wealth; the implicit view of human nature as embodying something more noble than mere utility-seeking; the vivid perception of conflict rather than harmony characterizing human relationships in a market economy. We can also detect a prefiguration of Polanyi's concerns about *laissez faire's* inclination to treat labour as a commodity, or as Owen put it, "as mere instruments of gain."<sup>6</sup>

Owen and his cooperative followers also fall into Reinhold Niebuhr's category of "children of light" with their optimism about human nature and faith in social engineering to change it. The existing system, they thought, produced individuals whose behaviour conformed to the base and unworthy goals of gain, but if society were founded upon principles of mutual responsibility then corrupt behaviour would disappear. Owen thought it possible for "every desire for individual accumulation [to] be extinguished"<sup>7</sup> if the social environment could be controlled as he had done at New Lanark.

Owen developed an elaborate scheme for his perfect society, and several communities were formed on the basis of his plan. All failed - as indeed did all of the scattered

attempts to create cooperative enterprises and communities both before and after New Lanark. But a watershed event occurred in Toad Lane, Rochdale, a town on the border between Lancashire and Yorkshire, in the late summer of 1844.<sup>29</sup> In August of that year, the "Rochdale Society of Equitable Pioneers" came into official being, and from that date there exists an unbroken line of development to the modern cooperative movement.

The Society was composed of twenty-eight people of various professions and ideological dispositions. About half of the "Equitable Pioneers" were Owenites, and about two-thirds were weavers. The aims of the new Society were set out from the beginning:

The objects and plans of this Society are to form arrangements for the pecuniary benefit and the improvement of the social and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements:-

There followed a listing of six "plans," including the establishment of a store, the building of houses, the manufacture of wares, cultivation of land (these latter two for the purposes of providing employment to out of work members), the assistance of other like minded societies and the opening of a temperance hotel for "the promotion of sobriety."<sup>30</sup>

With Geertz's ideas about metaphor and literary device in mind, it is worth noting the language which Beatrice Potter [Webb] used to describe the opening of the "Auld Weyvur's Shop" on "one dark December evening",

when amid the titters and jeers of Rochdale street urchins, the sneers of curious tradesmen, and the indifferent comments of passing townsfolk, the shutters ... were cautiously unclosed and infinitesimal quantities of flour, butter, sugar and oatmeal discovered in the window.<sup>10</sup>

From these humble beginnings, a large and successful commercial movement was built, incorporating a particular combination of ideas which have, with some refinement and variation over time, become known as the "Rochdale Principles." Bonner gave two listings of these principles, one promulgated by the Rochdale Society itself in 1860 containing nine items, and one issued by the International Cooperative Alliance in 1934 with seven. Cole's listing of eight, largely in his words, but slightly edited and placed in numbered rather than paragraph form are as follows:

1. Democratic control, with each member having just one vote, not as in trading companies where voting power corresponds to investment of capital.
2. Open membership, allowing anyone to join on equal terms with the founders.
3. A fixed or limited interest on capital subscribed.

4. The distribution of surplus in dividends to members in strict proportion to their purchases.
5. Trading strictly on a cash basis.
6. Selling only pure and unadulterated goods.
7. Provision of education of the members in Co-operative principles.
8. Political and religious neutrality.

Whilst these principles have generally been adhered to by cooperative enterprises, it must be noted that the successful coops have been those that have combined principle with sound management and a good dose of pragmatism. Financial survival has come first; ideological purity second.<sup>11</sup>

There was a long and intricate debate over precisely what was, and was not, to be included in the Rochdale principles, none of which is important for our purposes here. However, it is interesting to note MacPherson's summary of the debate within the Canadian movement. He boiled the list down to four essentials (numbers 1, 3, 4 and 8 in Cole's list) and two secondary (numbers 5 and 7). Numbers 2 and 6 do not appear in his catalogue.<sup>12</sup>

By far the most important of these principles are democratic control, limitations on return to invested capital, and distribution of surplus on the basis of patronage. Depending on the moral "vision" of the individual cooperative organization, the application of these principles can be seen as either a fundamental and profound challenge to *laissez faire*, or simply a different way of doing business. To understand how the more radical cooperators saw these principles as an attack on the underpinnings of capitalism, a few basic principles of business financing must be understood.

Typically, under private enterprise, money invested in a business comes from two sources. The first is "debt" capital, which is usually loaned by the banks or similar financial institutions. Debt commands a limited and fixed rate of interest regardless of the financial success of the business; in exchange for limiting its return, debt enjoys protection from the risk of business failure and has first claim on the proceeds if the business is sold. Generally, providers of debt capital also forego a major say in how the business is run. The second source of investment capital is "equity," which comes from the owners or shareholders, and which enjoys unlimited rewards if the enterprise thrives; likewise, it assumes the risk of loss if the business fails.

"Equity" on the balance sheet of a corporation represents what would be left over if the business stopped operation, sold its assets and paid off its debts. If the business is successful, and it does not pay out any dividends, the net earnings of the company each year flow into "shareholders equity," and as they do so, the ownership of the assets by the shareholders grows accordingly.

It is successful and closely held companies which, in market economies, yield large concentrations of private wealth and economic power. A few equity shareholders are able to reap large rewards, and they control how the enterprise operates.

Now, the standard balance sheet entry, "shareholders' equity," appears also in the books of a cooperative, but it has rather different implications:

First, a person's claim upon shareholder's equity arises primarily from his or her participation in the business activities of the enterprise rather than the provision of equity capital. It is true that cooperatives sometimes require an ownership share to be purchased, but the cost is usually nominal, and the enterprise does not usually rely on share purchases for a large part of its funds.

Participation in the enterprise arises, in a consumer coop,

by purchasing its wares, and in a producer coop, by providing the goods it has for sale.

Second, by virtue of the way shareholders equity accumulates (i.e., by patronage or participation), ownership of this equity always becomes widely dispersed. It may be widely dispersed in a privately owned company too, but it need not be.

Third, the control which goes with ownership is vested with those who use the services of the enterprise, as opposed to those who participate through investment of funds. For the most part, (and this is true of all the Western Canadian grain coops) the influence of any one member is limited by the original Rochdale "one person one vote" principle, although some coops do allow larger patrons to have more say than smaller ones. But the important difference from private enterprise is that ownership and control is vested with users, not the providers of capital, and whether weighted or unweighted, it is spread over all such users.

Two observations are in order at this point. The first is that one need not, like Owen, see profit as the mainspring of human corruption to think cooperation a superior mode for doing business. Cooperatives can, and do, operate quite happily within private enterprise economies

and can be quite vigorous in the pursuit of profit for its members. Within the Canadian grain industry, United Grain Growers is (and was) a case in point (although, as we shall see, it too shared some of the philosophical assumptions which were critical of *laissez faire*); the American cooperative sector is another. The members of these organizations, for the most part, have no moral objection to the earning of profits; they merely object to it being done at their expense. Moreover, they want to control the businesses which serve them. However, the Canadian movement as a whole did develop an antipathy to *laissez faire*. This hostility was a key element in what we call, in Chapter VI, "the soul of the movement," and was an important factor shaping the Canadian grain industry after 1917.

Secondly, it is worth noting that the intent of the Rochdale principles is considerably harder to effect in practice than it is to postulate in theory. United Grain Growers and the three Wheat Pools very quickly became, and remain to this day, concentrations of economic and political power. In theory, the power is accountable to the membership. In reality, the accountability is considerably diluted. Effective control inevitably comes to rest with a narrow group of elected and appointed officials, notwithstanding the democratic power which rests with the membership.

The cooperators who forged the British cooperative sector from the Toad Lane beginnings did not, of course, foresee these practical problems, nor did they foresee that some branches of their movement would become quite so comfortable with the free enterprise system against which it fought.

Cooperativism's hostility to *laissez faire* was vividly articulated by its theoreticians, and "dominant" (to use MacPherson's word) among these was T. W. Mercer.<sup>13</sup> In his history of the movement, *Towards the Cooperative Commonwealth*, he began, like so many reformers, by associating the social stress of the time directly with what he called "the unholy doctrine of *laissez faire*": "Cheap labour was what the embryo capitalist most urgently required," and they found it in women and children who were "worked by day and night under conditions which almost baffle description, making profits for callous capitalists until they died."<sup>14</sup>

The elements of Mercer's critique of *laissez faire* can be catalogued under much the same headings as were used in the previous chapter. Where liberalism condones the private ownership of productive wealth, Mercer condemns it:

The riches it puts into the hands of a minority of capitalists and landowners represent plunder taken directly from the working and consuming millions ...

Why does poverty exist in this present age of actual and potential plenty? ... Has mankind learned how to multiply all kinds of wealth with ease only to discover that the actual wealth-producers cannot enjoy the goods they themselves have created? Immediately that question is stated in plain terms everybody can perceive wherein the essential evil of the present social system lies.<sup>15</sup>

Far from being a self-seeking individualist, Mercer believed that: "Man was made for co-operation," and that the entire story of human history "is an account of Man's slow and often painful progress from unconscious to purposeful co-operation."<sup>16</sup> In support, he quoted Fredrick Denison Maurice of the Christian Socialists: "Competition is put forth as the law of the Universe. It is a lie."<sup>17</sup>

And far from leading to a natural harmony among members of society, Mercer saw capitalist society as ridden with conflicts of its own making,

for instead of uniting men and women by recognizing their common interests as members of the human family, the capitalist system divides them into members of opposing classes and converts the life of nations into a state of civil war.<sup>18</sup>

The remedy for this sorry state of affairs, in Mercer's mind, was cooperativism. After the First World war, he thought, Western Civilization had become the site of "a battle between opposing systems," with capitalism "on the defensive."<sup>19</sup> He titled the entire last section of the book "An Alternative to Capitalism," where he outlined the cooperative "vision." It was not, he said, "a projected plan," but "merely a golden dream on highly coloured paper."

Nevertheless, it is "a new system of society that only requires enlarging to supply the economic and social requirements of the nation." Moreover, it had developed from "no more than a convincing theory," and now,

every new year that passes reveals how perfectly and completely Co-operation in its practice justifies itself as the true alternative to Capitalism by demonstrating how easily the social problem can be solved without a revolutionary upheaval of the employment of physical force.<sup>20</sup>

And the means by which cooperativism would "so easily" solve all the social ills of *laissez faire*, was the principle of distribution of surplus on the basis of patronage. "Millions of pounds put into the pockets of millions of working people" would allow them to purchase all things needful, and would solve the problem of poverty amidst wealth:

Wherever Co-operation's own economic cycle is to-day complete unearned increment does not arise. Rent vanishes as collective replaces private ownership; interest is limited, and profit simply ceases to exist. Wealth which elsewhere would enrich a few and further deepen the gulf which under Capitalism is quite unbridgeable, is shared equitably among the millions, and in their hands gives beneficial employment to a multitude of workers whose own standards of living are assured.

"Dividends on purchase" in economic truth and fact constitute an ever-flowing stream that irrigates every field of useful labour ... as it augments and multiplies the purchasing and consuming power of the masses of the people.<sup>21</sup>

From one end to the other of Mercer's book, there is not one attempt either to validate these claims nor to determine by how much the profits taken by the few inflated the prices

paid by the many, nor to determine the increase in annual disposable income which a cooperative society would yield the average family. It was, in short, a pure "vision" in the Schumpeterian sense.

It was also the sort of thing Reinhold Niebuhr referred to as a "fatuous and futile" plan for "resolving the conflict between self and community." Coop theorists, in common with liberals and Marxists, developed their own harmony theory, to which cooperativism was the key and Mercer's book is shot through with phrases which convey these great and overarching goals. Cooperation, it tells us, will "harmonize all interests in a Commonwealth embracing everyone" - "conciliate the conflicting interests of the capitalists, the worker and the purchaser" - "emancipate labour from servitude" by setting workers up as their own employers, and thus allow "labour [to] regain dignity and the workers [to] develop their higher qualities and powers."<sup>22</sup> Moreover, because of cooperativism's democratic principles - a key element in cooperativism's vision of a harmonious society - the movement will become "a democratic university in which working men and women can master the higher arts of national statesmanship."<sup>23</sup>

Mercer here was oblivious to the latent possibility we spoke of earlier, of the inevitable dilution of democratic

control in large and successful cooperative enterprises, and to the possibility that such large concentrations of economic power may themselves become oppressive to those outside their memberships. "Within the movement," he thought, "neither dictatorships nor bureaucracies can possibly arise."

Utopian or not, Mercer's work is an accurate portrayal of what British Cooperators thought they were about, and it represents one important stream that flowed into Western Canada. With the influx of immigration between 1900 and 1910 came men and women schooled in a variety of British radical and reform movements, including cooperation, and they found fertile fields for the application of their critiques.

It is worth considering in passing the thought of Nova Scotia cooperative theorist, Moses Coady, a Catholic priest at St. Francis Xavier university in Antigonish. He was not a particularly influential person in Western Canada, but his thought closely parallels Mercer's in a number of key areas, and, as will become clear later, Western Canadian cooperative leaders shared many of Coady's ideas.

Coady shared Mercer's negative view of capitalism (it was "hard, cruel and relentless") but he stressed more heavily than Mercer the perception that *laissez faire* had robbed the

people of control over their own lives. Coady used a little fictive history to help his readers understand how control had slipped from their grasp. Taking them back "along a blazed forest trail" to a cluster of huts destined to become a great city, he described how "one who did not fancy such hard work" as pulling stumps, had chosen the best corner to set up business, and begun selling his services, at self-determined prices. Thus, said Coady, "so-called business rests on a unilateral contract," and by failing to challenge these early entrepreneurs, "the people gave up their consumer rights."<sup>24</sup> This abdication had been preceded by the loss of production rights to "a few enterprising people" who set up blacksmith's shops, grist mills and the like, but this was not of great significance until the industrial revolution. Then, production slipped entirely from the control of the people, and combined with the loss of consumer rights, the people were left powerless.

This process, said Coady, was like building a 150 foot smokestack on a foundation just slightly out of plumb. The mistake is not visible at first, but "by the time it has gone up one hundred and fifty feet, it has become a dizzily leaning tower!" Our economic smokestack, thought Coady, was just such a menace, and attempts to stabilize it with the "rusty old wire" of the dole, pensions and unemployment

insurance, was futile. The thing had to be torn down and rebuilt.<sup>25</sup>

The point which Coady repeatedly stressed throughout his major work - and which is well encapsulated in the title, *Masters of Their Own Destiny* - is one that must be deeply appreciated if one is to understand the attitudes of the farmers in Western Canada. Farmers to whom cooperative leaders in the West spoke (just like the fishermen with whom Coady worked) felt that they had lost control over their lives and their livelihood, and their goal was "a mechanism that will enable them to climb into the driver's seat and get their hands on the throttle of their own destiny."<sup>26</sup> It is impossible to overemphasize the importance of this perspective of Coady's, for it accounts for what seems to be a maddening propensity to ignore inconvenient facts. Cooperative enterprise gave them- or was felt to give them - a degree of control that the old "competitive" system did not. Whatever their faults, the coops were controlled by the farmers, and it was a control they were not going to relinquish on the evidence of some economist or Royal Commission.

COOPERATIVISM ALSO EVOLVED in the United States, but the American movement was rather a different creature than the British. First and foremost, it very soon lost some of its

anti-capitalist edge. As explained in a well known article in *The American Economic Review* of 1922 by Iowa State agricultural economist E.G. Nourse, it was within the agricultural sector that American cooperativism took root, and there "the utopian cooperation of the older [consumer] school" was replaced with a "militant cooperation" which

cries down the Rochdale principles and exalts the new "cooperation American style," along the lines of big business bargaining and efficiency and ruthlessness. It is producer cooperation, legalistic in philosophy, monopolistic in spirit, and zealous for control of the market.<sup>27</sup>

Nourse dealt first with the cooperative movement in general, and he reduced its Rochdale principles to three: increased efficiency, with no credit or advertising, and with labour donated by members; distribution of surplus on patronage combined with limited interest on capital invested; and democratic control, with one vote per member. These, he said, "register a threefold protest" against capitalism<sup>28</sup>, but this protest is less against its ideological underpinnings than against the way in which it worked. "Taken by and large," Nourse said in his opening words, "cooperators are long on practice and short on theory," and as he elaborated his three Rochdale principles, he provided little evidence of the moral outrage and the desire to wreak fundamental change to society that was so evident in Mercer and Coady.

The first principle said Nourse, was "an attack on the real wastes of competition," engendered by "the growing feeling that our modern society is organized too exclusively in the interests of the exploitive tradesman and ... manufacturer." This, he observed, was not "economic heresy" but rather a view shared by many thoughtful economists, and in fact might be viewed as no more than what he called a "buysmanship" - a protective reaction against an offensively aggressive "salesmanship."<sup>29</sup>

The second principle (in which he combined two from Cole's list,) Nourse styled as "dearest to the hearts of most cooperators," and most significant in terms of its potential challenge to the underpinnings of *laissez faire*. The import of his analysis was to the effect that, by shifting the residual rights to commercial surplus from the investor to the patron, the right of individuals to amass large concentrations of wealth is implicitly challenged and denied. But it is worth noting Nourse's exact words here, because they show the fundamental differences between a position like Mercer's, and the position Nourse perceived as an observer of the American scene. He put it this way:

The cooperator's actual objection is not against the capital dividends merely as interest at the market rate on tangible investment but against the piling up of such dividends at an excessive rate ... Any dividend distribution of profit in excess of a conservative interest rate is taken, [the cooperator] says, from some more suitable claimant to be given to capital just

because it assumed some risk in its entrepreneurship. But where producers or consumers are organized cooperatively, the risk is thereby removed from the business and the claim of capital can consequently be reduced to its competitive contract share.<sup>30</sup>

There is nothing in this description of British cooperativism's zeal, not only against the injustice of the prevailing system, but in expectation of a new reign of justice and harmony to be achieved in a cooperative world.

Nourse's third principle (democratic control) arises as much from a collapse of the grounds for capital's claim on control as it does from the intrinsic worth of democracy. "All invested capital should be put in the category of loan funds, divested of voting power or control, [which instead] should go to members duly admitted because of their participation directly in the business." Thus: "A phrase of wide usage among cooperators is to the effect that the cooperative association is a union of persons, whereas the joint stock company is a union of capitals."<sup>31</sup>

Nourse's portrayal of the cooperative movement is not entirely devoid of idealism, nor of the desire of cooperation to secure for its members greater control over their livelihood. But these themes emerge in almost colourless accents compared with Mercer:

... cooperative organization aims to perfect a system of bringing many individuals together in business associations which will retain the personal interest and responsibility of the individual, instead of submerging it or allowing it to be lost as is the case in the highly impersonal form of the ordinary corporation.<sup>32</sup>

Turning then to his American agricultural cooperators, Nourse drew a clear distinction between them and both consumer cooperators and other radical factions. These he labelled "extremists [who] believe that the whole economic system should be directed and controlled by the consumers, organized into cooperative societies and federations." These, he said, "would displace the existing market ... aspiring ultimately to ... socialism or syndicalism." The farmer, on the other hand,

looks to cooperative joining of these small operating units as a means of enabling him to hire special labour or to secure special capital equipment most advantageously. Taking the essential facts of the market as he finds them, he seeks merely to put himself in the most effective position with reference to it.

Agriculture, he said, is "the conservative wing" of cooperativism, which "sees in the cooperative association merely a new legal form peculiarly adapted to the needs of modern agricultural industry."<sup>3</sup>

Nourse cited the antagonism between producer and consumer cooperatives as evidence for his interpretation, noting that consumer cooperatives look on producers as "being no less exploitative than any regular capitalist producer."<sup>4</sup>

To Nourse, then, the American farm cooperative movement was much less seized with the moral bankruptcy of capitalism, much less convinced - or even concerned - about

the moral superiority of cooperativism, and much more concerned about putting the rewards which would otherwise accrue to risk capital into the pockets of farmers. If others were willing to be fleeced by the wily capitalists, that was their problem. The farmers, in a word, were simply not going to stand for it. And where Mercer saw the "grand purpose" of promoting "truthfulness, justice and economy,"<sup>35</sup> Nourse described the "real motive" of the cooperator as wishing

to displace the manufacturing or trading entrepreneur of the present system [to] put himself in charge and thereafter direct the system in a way that will give to his class a greater share in the benefits. The basic argument of cooperation then is that it has devised a new working machinery which offers the legal and technical possibility of doing so.<sup>36</sup>

This view of the American movement as working pragmatically within the existing ideological framework, rather than formulating a fundamental challenge to *laissez faire* was expressed by other students of the American scene. Chester McArthur Destler examined the sources of American Western radical thought between 1865 and 1901, tracing the flow of ideas between urban and rural radicals, and identified the Patrons of Husbandry (also known as the Grange) as the conduit through which cooperativism reached America from Europe. The Grangers, he said, had direct contact with the British movement, and adopted the Rochdale plan as the basis for its activities.

However, not all the Rochdale principles could survive the conditions in an agricultural setting, and the first to go was cash trading. This principle had been developed within consumer cooperativism to discourage its patrons from going into debt to provide the day to day necessities of life. But financing the capital requirements of a homesteading farmer, or the carrying costs on produce from harvest to sale, required funds far in excess of the cash available to individual farmers.

The Granger movement was largely swept aside by the more vigorous Farmers' Alliance, but the latter appropriated the cooperative ideas of the Grangers, and melded them with ideas on cooperation which were being promulgated by the Knights of Labour. Thus cooperation became one of the major planks of the Alliance platform, along with "Greenbackism," a monetary movement that sought to remedy the restrictions on credit that were felt to hamper agricultural development.

To Destler, the policy platform of cooperation and greenbackism rested on what he called the "twin foundations in the economic theory of Populism," namely antimonopolism and the labour theory of value.<sup>97</sup> Antimonopoly sentiment was directed against powerful business interests that were felt to possess inordinate power in society, particularly in the three sectors which "had been the butt of agrarian

agitation for decades: money and banking, railroads and communications, and land."<sup>22</sup> Populism's answer to these abuses was government ownership - an answer distinctly collectivist in nature, but not hostile to *laissez faire*:

Collectivist though the Populist philosophy was in its demand for state intervention and ownership in the field of monopoly enterprise, it would be a mistake to conclude that it was socialist either in purpose or spirit. The object of government ownership, as desired by the Populists ... was the strengthening of competitive capitalism and the salvation of small enterprise.<sup>23</sup>

Lawrence Goodwyn interpreted the populist movement as somewhat more hostile to the status quo than did either Nourse or Destler. To Goodwyn, the movement was a direct challenge to the limitations which both concentrated corporate power, and the hierarchical organization of the two major political parties, placed on democracy. Goodwyn argued that cooperative organizations placed power over economic affairs in the hands of the patrons of the enterprise, and accordingly, the populist party, which grew out of the Farmers' Alliance and adopted cooperativism as one of the major planks in its platform, offered itself as a truly democratic political organization, controlled by its members instead of by a party elite and large corporations.

However, even Goodwyn's study of American populism failed to find within it (or if found, failed to express) the idea that *laissez faire* was fundamentally an immoral system, against which cooperative enterprise set itself up as a

moral alternative. Woven through the writings of people like Mercer and Coady is a bundle of ideas about human nature and how it may be shaped to conform either to the selfishness of the competitive system, or to the mutuality of cooperativism; about human needs and motivations stretching beyond the economic; about the dignity of the human person, and the destruction of dignity and humanity which occurs when labour is treated as nothing more than a marketable commodity; about the importance of making economic relationships subordinate to the social. These ideas are muted in Goodwyn's study of populism.

The American populist movement largely fell apart after the Presidential election of 1896. However, a second upsurge of cooperative thought in the United States occurred in the 1920's as agricultural prices sagged. The chief proponent and proselytizer for cooperativism in this phase was Aaron Sapiro, a Californian lawyer who had played a key part in the organization of cooperative organizations in that state. These organizations developed a new marketing procedure, which became known as "pooling," but which in fact included three fundamental components:

Centralized marketing: Under this concept, the marketing of the commodity was no longer undertaken by the farmers themselves, but by a central body on their

behalf. This central body paid them an advance on the selling price, and later returned the full proceeds of the sale after all the product had been sold.

Contractual agreements: Farmer members of the cooperative entered into an agreement with the organization to deliver all their produce to the cooperative.

Price pooling: When the full year's crop had been sold, the proceeds were "pooled," and each member's final payment was proportional to his deliveries to the central organization, but equal per unit (bushel, pound, etc.)

These were key developments for the cooperative movement, and although none of them could necessarily be classed as a direct challenge to *laissez faire* ideology, they were used by the Canadian movement to mount a practical and real challenge to the economic status quo. Moreover, in a unique blend of the pragmatism of the Americans, and the ideals of the British, the Canadian movement construed "pooling" as a denial of the individualism of *laissez faire*, under which each member gave up the chance to secure the peak market price for himself, and threw his lot in with his fellows to share the peaks and valleys. Pooling then can be seen (and was so portrayed later by the Canadian Pool supporters) as a

practical expression of revolt against the received tradition. But equally, a supporter of the free market system could enter into a Californian type of producer cooperative on the grounds that by clubbing together with fellow producers, the market power of all could thereby be enhanced, and better and more stable prices be achieved.

This latter philosophical position dominated the American movement of the 1920's. James Shidler, a University of California economist who studied the response of American agriculture to the 1920's price collapse, acknowledged the idealistic elements within cooperative thought, but concluded:

Cooperation possessed an ideology of reform and brotherhood attractive to isolated farmers and to agriculture's urban friends as well. American agricultural cooperation, preeminently a business matter, did not adopt the zealous socialistic viewpoint of British cooperation ... Very few farmers adhered to the idea of reforming the profit system; they wanted only to retain for themselves some profits of distribution.<sup>40</sup>

To Shidler, the Sapiro plan not only relegated the idealism of the cooperation to second place behind grabbing a bigger share of the pie but actually undermined some of the key Rochdale principles:

The contract and the remote, centralized management provided by the Sapiro type of association reduced the individual producer to a small cog in the machine although lip service was paid to democratic features of the plan: limitation of membership to actual growers; the one-man, one-vote principle; and the non-stock, non-profit feature. The Sapiro system was not a democratically developed method of cooperation built upward from the producer; it was directed from a central authority downward to

the producer and was made attractive as a refuge from the terrors of competition, where the farmer was poorly armed. The Sapiro plan professed to emulate big business, and in doing so cooperation acquired the bureaucracy and authoritarian methods of its model.<sup>41</sup>

The Sapiro plan had some success in California with certain perishable commodities, and its application was extended over the early twenties to many others throughout the U. S. Most, however, were short lived, and Shidler documented what he called "an abrupt Farm Bureau shift in policy away from cooperation and toward political action to support prices."<sup>42</sup> In fact, price support was the direction which American farm policy took to shield farmers from the instability in agricultural markets, whereas the Canadian system moved towards a wheat board, which eventually brought an end to the open marketing of wheat, much to the satisfaction of many (although not all) farmers.

BOTH THE AMERICAN AND BRITISH cooperative movements contributed their ideas to Canada in the critical post World War I period, and the two strains of thought tended to war within the movement. Was Canadian cooperativism out to redeem to society by destroying the evil ethic of competition and replace it with the caring and sharing of cooperativism? Or was it just "good business" through which the farmer could get a better price? In fact, it was both. The hard nosed wanted more money. The idealists wanted a

new society. In the end, they joined forces to change the way Canada marketed wheat.

## CHAPTER V

### RESOURCES

#### The Religious Authority of the Social Gospel

One hundred and twenty-eight thousand farmer producers in Western Canada ... are not only building business enterprises; they are assisting in transforming the basis of society.

*John T. Hull*

What practically distinguishes Christianity ... is this revolutionary and prophetic element of confrontation with society. ... From this point of view, the root of evil in human life cannot adequately be described as ignorance ... The record of human cruelty and folly is too hideous for anything but the sense of a corrupted will to come near to a diagnosis.

*Northrop Frye*

"THE REFORM MOVEMENT DREW not only from the rise of a social conscience but also from the development of social purpose in the Protestant churches," wrote W. L. Morton in his analysis of the Progressive party in Canada,<sup>1</sup> and indeed if British and American cooperativism provided the sources from which Western Canadian agrarians drew their ideas, it was Protestant religious thought - and specifically the social gospel - from which they drew inspiration. As Richard Allen put it in an insightful phrase, the social gospel performed

the function of "endowing reform with an authority it could not otherwise command."

The social gospel movement has been characterized as "America's most unique contribution to the great ongoing stream of Christianity."<sup>2</sup> While it may be questioned whether the movement was solely an American one as this statement implies, there is no question that the United States was a prime locus of its development.

There are two complementary interpretations of its emergence within American Protestantism. The first is what has become known as the "challenge-response" theory, which considers the social gospel to be the churches' response to the stresses imposed by industrialism upon society. The second theory is the "internalist" one which views these changes as the natural evolution of American religious thought from the very earliest new England settlements.<sup>3</sup> We will briefly examine each of them.

That shifts in religious opinion were to some extent a response to events of the latter part of the nineteenth century can hardly be doubted. May analyzed the social upheavals in American life in the late nineteenth century, to which, he thought, the prevailing orthodoxy - which, he said, tended to view social unrest as a manifestation of individual sin - was singularly ill-equipped to respond. He

labelled the key events as the "Three Earthquakes": the American railroad strike of 1877, the Chicago Haymarket riots of 1886 and a series of strikes and labour disruptions, coupled with economic depression, spanning the period of 1892 - 94.<sup>4</sup>

Pastors who found themselves involved in the social upheavals of industrialism were the architects of the social gospel, and May thought Washington Gladden to be typical.<sup>5</sup> In his early pastorates, Gladden had preached from within the prevailing pattern of thought, condemning unionism, radicalism and socialism. But in 1882 he took a ministry in Columbus, Ohio where he numbered among his congregation several senior mining company officials who had been involved in breaking a miners' strike. Gladden soon began to question the orthodox views on industrial problems, and by 1886, his writings displayed new sentiments. A wage-system which rests on competition, he wrote, "is anti-social and anti-Christian." Moreover, basing "the relations of employer and employed upon self-interest is a doctrine of the pit" which brings "hell to earth in large installments." And in words that pre-figured Polanyi: "The labor of the nation is the life of the nation; is that commodity to be bought in the cheapest market and sold in the dearest?"<sup>6</sup>

What Gladden began to question through his experience in Springfield and Columbus, was what the most eloquent proponent of the social gospel, Walter Rauschenbusch, was later to question in Hell's Kitchen in New York - and of course, what Mercer and Owen had questioned in Britain, namely, whether the theories of *laissez faire* economics, were in fact borne out by experience. Many American Protestant thinkers like Gladden began to believe they did not and, like cooperative theorists, also began to question the core assumptions of *laissez faire*: whether there really was harmony between self-interest and the broader interest of society, and whether the doctrine of economic man encompassed the best or only truths about human nature and economic relations.

It should be noted in passing here that social upheaval was not the only "challenge" to religious orthodoxy. Darwinian science and higher Biblical criticism broke onto the American scene in the same era, and both carried with them threats to the accepted Christian world view. Speculative Darwinism was quite different from the descriptive Baconian science which sought to discover God's laws in nature, for it began to call into question the doctrine of special creation.<sup>7</sup> Higher biblical criticism was likewise corrosive to the older views, "questioning ...

the historicity of the Gospel accounts of the life of Jesus."<sup>9</sup>

But the "challenge-response" framework cannot by itself fully account for the changes in the religious climate of the late nineteenth century nor for the emergence of the social gospel. It must be complemented by the second, so-called "internalist" approach which sees the social gospel as a direct development of what Gordon Harland has called "the passion to build a regenerated society."<sup>9</sup> From this perspective, it was natural for the churches to see the dark side of industrialism as incompatible with a nation which claimed to be Christian. Moreover, the internalist approach objects to the "challenge-response" theory's implicit assumption that cause and effect governs human life. H. Richard Niebuhr, for example, thought it impossible to reduce Christianity "into a system of faith determined by social factors," claiming that it contains "a revolutionary and creative strain which does not allow itself to be reduced to this pattern."<sup>10</sup> Denying that the concept of bringing in the Kingdom was an innovation of social Christianity, he traced the history of the idea back to the very earliest American settlers, and pointed out that: "When the social gospel appeared toward the end of the century it came as the heir of this living movement which had proceeded in dialectical fashion from individual to communal hope."<sup>11</sup>

Regardless of the relative strengths of internal forces and external challenges, it is incontestable that there was a distinct shift in Protestant opinion in the period leading up to the emergence of the social gospel. Henry May characterized American Protestantism prior to 1865 as marked by a "moralistic conservatism," and as embodying a Calvinist theology leaving "little ground for the reform of worldly society."<sup>12</sup> But this gave way, allowing "the humanistic optimism which had long pervaded American political thought [to flow] over at last into religion."<sup>13</sup> Optimism was of course a key characteristic of the nineteenth century faith in progress which Reinhold Niebuhr referred to, and which fed reform thought of all varieties. Austrian Stefan Zweig, captured the flavour of this belief with his comment that

the nineteenth century was honestly convinced that it was on the straight and unfailing path toward being the best of all worlds. ... [N]ow, it was merely a matter of decades until the last vestige of evil and violence would finally be conquered, and this faith in an uninterrupted and irresistible "progress" truly had the force of a religion for that generation.<sup>14</sup>

With the spread of this new belief in progress, and the recession of the doctrines which May identified as dominating American Protestantism, the churches were pushed towards a more human-centred theology which "looked at God less in terms of transcendence and more in terms of immanence", and which embodied a "new conception of man" as a being who "could participate in the work of redemption"

rather than acting as a mere passive recipient. These trends in thought tended to see social change and reform as real possibilities rather than as a presumptuous questioning of the pre-ordained will of God, and when the experiential challenges of labour unrest and urban problems came along, the climate was ripe for "believers in the application of Christianity to society [to] develop a so-called social theology."<sup>15</sup> Out of this new religious consciousness arose the movement known as the social gospel.

It is difficult to find any clear line of demarcation between the social gospel and these broader shifts in Protestant opinion. Formal definitions do not help much, and are not very precise or clear. Hopkins defined the social gospel through a quotation from Shailer Mathews, Dean of the University of Chicago Divinity School. It was, said Mathews, "the application of the teaching of Jesus and the total message of the Christian salvation to society, the economic life, the social institution ... as well as the individuals."<sup>16</sup> Walter Rauschenbusch, who developed the most profound expression of the theology of the social gospel, called it "the response of the Christian consciousness" to "the social movement."<sup>17</sup> To Robert Handy the social gospel had certain "main emphases" which included "a conviction that the social principles of the historical Jesus could serve as reliable guides for ... life", and a

"stress on the immanence of God, the goodness ... of man, and the coming Kingdom of God on earth ... which they interpreted as a possibility within history."<sup>18</sup> Richard Allen termed it "a call for men to find the meaning of their lives in seeking to realize the Kingdom of God in the very fabric of society."<sup>19</sup> However, notwithstanding the imprecision or these definitions,<sup>20</sup> two key elements of the social gospel movement stand out: first, a proactive social outreach programme; and second, a critique, upon which the social outreach was founded, of the *laissez-faire* economic order.

The active outreach went to the working classes and the poor whom social gospellers perceived as the victims of an immoral system. In the United States, the Presbyterian Church established the Department of Church and Labor of the Board of Home Missions in 1903, an event which Hopkins counted as the "official" adoption of the social gospel by mainline Protestantism.<sup>21</sup> Other denominations soon followed the lead of the Presbyterians, with the Methodist church organizing its Federation for Social Service in 1907.

Much more relevant to our inquiry however, was the economic critique mounted by the social gospel. This critique - which the cooperative movement in Western Canada was later to find so resonant with its own views - can be

illustrated by reference to two volumes, quite widely separated in time and space in relation to the life of the social gospel movement itself, but sharing a remarkable commonality of view notwithstanding.

The first is Walter Rauschenbusch's *Christianity and the Social Crisis* first published in 1907. The book was extremely influential, eventually selling over 50,000 copies in several languages. It was also distributed in Western Canada through the *Grain Growers Guide's* Book Department.<sup>22</sup> The second, a Canadian volume first published in 1936, is a collection of essays together bearing the title *Towards the Christian Revolution*. A reissue of the work in 1989 was undertaken by Roger Hutchinson at the University of Toronto. Common themes run through the two books, and between them it is possible to identify the main outline of the social gospel's critique of *laissez faire* and to see how it attacks liberal economic theory at the level of its primal assumptions.

The authors of both books, like other challengers to *laissez faire*, began with the poverty and suffering found in capitalist society, which to them was evidence of its failure to fulfil a promise of universal prosperity. To contributor John Line in the Canadian volume, it was a common belief among radicals that the doctrines of *laissez*

*faire* had been "falsified by events," and "has not [brought] a universal diffusion of welfare, but ... desolation and inequities."<sup>23</sup>

Rauschenbusch took basically the same line of argument, claiming that the technical potential of the industrial revolution had not been fulfilled. If a prophetic angel had seen the beginning of that era, asked Rauschenbusch, would he not have reported to God the end of human suffering? However, instead, "a long-drawn wail of misery followed wherever the power-machine came. It swept the bread from men's tables and the pride from their hearts."<sup>24</sup>

Why had the potential for goodness run amok? Like Mercer and the theorists of cooperativism, both Rauschenbusch and Line laid the cause at the feet of *laissez faire's* false and corrupting ideas on wealth and human nature. To begin with, where liberalism focussed on the role of the individual in the production of wealth, the social gossellers focussed on the role of the community. To Rauschenbusch: "We draw all our life, our safety, our intellect, our information, our organizing ability, from the common fund of our community,"<sup>25</sup> but the rights of the people to the wealth they had helped create were "now obscured and disregarded, and many of the most destructive and menacing evils of our civilization are directly traceable to this legalized method

of disinheriting the community."<sup>26</sup> Rauschenbusch adopted the position (which Charles Strain claimed he took from Henry George<sup>27</sup>) that land was "the fundamental economic fact in all communities," and should therefore be communally owned.<sup>28</sup> But he extended the concept to include the communal ownership of factories, machines and transportation facilities, observing that "the chief danger to the people will be to lose control of the instruments of industry."<sup>29</sup>

It is arguable that the chief target of the social gospel's economic critique was the concept of economic man. The eighteenth century, said John Line, had debated, but not settled, the question of whether man was by nature egoistical and selfish, or benevolent and social, but *laissez faire* had leapt prematurely to the wrong answer. In part "through the passions the industrial revolution served to stimulate," he said, it came to view "the individual as moved almost solely by selfish interest [and] saw in competition and acquisitiveness his natural bent."

The end of this trend within *laissez-faire* was the Economic Man, whom we have become accustomed to calling an abstraction. The tragedy is that he, the selfish acquisitive type, has become all too concrete.<sup>30</sup>

It was, thought Line, the widespread acceptance of a natural and inherent selfishness, resulting in the concept of economic man, which was responsible for corrupting the ideal of equalitarian individualism, for it gave "persons

the right to be predatory" and established "warfare rather than equality and fraternity, a warfare in which the victor takes the spoils."<sup>21</sup>

Again, Rauschenbusch leveled virtually the identical charges. He spoke of the "tainting of the moral atmosphere," and laid blame for both human corruption and the most severe of the ills of the world squarely at the feet of the capitalist system:

Competitive commerce exalts selfishness to the dignity of a moral principle. It pits men against one another in a gladiatorial game in which there is no mercy ..

... the processes of competitive industry have poured vast wealth into the lap of a limited number. [This] parasitic wealth is sure to create a vicious luxury, which then acts as a centre of infection for all other classes. ...

In the atrocities on the Congo we have the same capitalism doing its pitiless work in a safe and distant corner of the world ... The rapacity of commerce has been the secret spring of most recent wars. ...

It drains and brutalizes the workman who does its work. It haunts the business man with fear of failure, or makes him hard with merciless success. It plays with the loaded dice of false prospectuses and watered stock ... It corrupts all it touches, politics, education, the Church.<sup>22</sup>

Like Mercer and Coady, both Line and Rauschenbusch thought that corrupt behaviour was merely the product of the system, and that more exemplary behaviour could be induced by education and training. Line placed, over against the false concept of human nature as "dominated by self-interest," a "truer view" - which was not that human nature

was inherently benevolent and disinterested - but rather that it could be molded to the heart's desire.

... where the earlier philosophers erred was not so much in their particular representation of human nature so much as in their conceiving it to be morally anything at all as fixed or given. The individual at birth ... is a creature of mixed tendencies and possibilities which await life and training to become determinate or actualized.<sup>33</sup>

Curiously, Rauschenbusch, writing at a time before the optimistic view of human nature that underlay the belief in progress had been challenged by the Great War and the 'thirties depression, did actually acknowledge selfishness as an ineradicable component of the human personality. But unlike Niebuhr, he saw selfishness as essentially innocuous, and redeemable by an education designed to inculcate motives of service. It is merely, he said,

the instinct of self preservation without which no child would survive. In a well trained child the frank egoism of the baby is steadily modified by a growing sense of duty and solidarity with the family ... With the change of adolescence comes a powerful instinct of self-devotion to society. If the influence of Christianity accompanies the child during this development ... it ... creates a character ready for social life and service. ... if the industrial life which moulds that adult sets tasks for conscious social service ... social life would be so closely akin to the Christian conception that the task of Christianity would be easy and comparative success would be within reach.<sup>34</sup>

The problem was that industrial life caught young people up just at "the most plastic time" of their lives, thwarting their "instinct of self-devotion to society," and turning them to selfishness and acquisitiveness.

Over against this rapacity, thought Rauschenbusch, stood the humane feelings, the kindness and selflessness which could be brought to life if only economic affairs were to be subject to the rule of Christ. And cooperativism was one of the ways to do it:

In competitive industry one man may profit through the ruin of others; in cooperative production the wealth of one man would depend on the growing wealth of all. In competitive society each man strives for himself and his family only, and the sense of larger duties is attenuated and feeble; in communistic society no man could help realizing that he is part of a great organization and that he owes it duty and loyalty. Competition tends to make good men selfish; cooperation would compel selfish men to develop public spirit.<sup>35</sup>

Rauschenbusch thought the day was at hand when humanity would gain a "responsiveness to ideal motives," and he spoke of "the immense latent perfectibility in human nature."<sup>36</sup>

The same optimism about human nature, and the ease with which unworthy motives might be replaced with higher ones, pervades the Canadian essays. Eugene Forsey, at that time a lecturer in economics at McGill University, quoted with approval the contention of the League for Social Reconstruction's *Social Planning in Canada*, that professionals and managers are motivated, not by greed or status, but by "love of the job, pride in good work, desire to do better work [or for] public recognition, love of country or of humanity."<sup>37</sup>

The elements of the social gospel critique of *laissez faire* should by now be abundantly clear, as should the fact that it attacked the prevailing economic ideology at the level of its primal assumptions. Large accumulations of wealth and private ownership of the means of production were considered immoral - an appropriation of things that rightfully belonged to the people. Wealth was held to be socially produced, and therefore each and every person who had contributed to its production had some claim upon it. Individualism was believed to be an erroneous philosophy. It is not work for the benefit of the individual that brings good to the group, but work for the good of the group that brings benefit to the individual. Utilitarianism and the doctrine of economic man were considered to be totally inadequate bases for a theory of human behaviour. Human beings are much more than inveterate seekers after their own self-interest, and to live by this doctrine is to sanction a system built on exploitation and inequity. And finally, the belief in social harmony within such a system was a fiction. Society was divided between the strong and weak, the rich and the poor, the sharpers who nabbed the best corner lots and the honest yeomen who pulled the stumps, and between these groups, there was a state of war.

These fallacies and sins of capitalism could only be eradicated when private property and individual decision making were replaced with a communitarianism which put wealth and power in the hands of the people, and when the "profit motive" was displaced by a "service motive" - a matter that could be readily accomplished because human nature could be ennobled by a cooperative system, just as it was being debased by a competitive one.

It will be clear, of course, - and essential for the development of this study to recognize - that the ideological assumptions of the social gospel were almost identical to those of cooperativism, and especially to the idealistic British cooperativism which looked for a reformed society built on coop principles.

THE COMMONALITY BETWEEN the ideological assumptions of the social gospel and of cooperativism was just the starting point for the symbiosis between the two movements in Western Canada. What occurred in fact was a shared process of ideological development. This process - and the complementarity between the two movements - can be elucidated by an analysis of social gospel writings undertaken by St. Paul University religious studies professor Charles Strain. He used Geertz's perspective's on

ideological development to examine ten American social gospel works, and found that by analyzing their ideas as an ideological construct, patterns emerged which were hidden when the works were considered simply as texts of the social gospel. The patterns he discovered have parallels in the farm movement, and point to more profound connections between the two movements in Western Canada than simply shared assumptions about human nature and society - particularly in the 1917 to 1925 period.

This eight year period marked the apogee of the relationship between Christian thought and the farm movement. In general, outside that period, the farm leaders' references to the identity between cooperativism and Christian practice were scattered and seemed to lack the moral fervour which characterized these years. It was as if the farm movement, for a brief period, felt that it had the power to transform history, and to usher in a new era of peace and justice.

Perhaps the best way to use Strain's analysis is to examine the patterns he found, reviewing as we proceed, the historical evidence for the parallels, complementarities and mutual reinforcements between social gospel thought and the farmers' ideology. It must be stressed, however, that the farm leaders did not appropriate the ideas of the social

gospel in any systematic way. They borrowed randomly, and without concern for theoretical niceties or intellectual consistency. The evidence, therefore, tends to be somewhat scattered, and only when taken as a whole, does it show the symbiosis between the two movements.

The starting point for Strain's work was a "generic analysis" of the ten works, revealing two characteristics which set them off from their neighbours. "First," he discovered, these works "were not primarily interested in discussing theoretical ... theology and biblical research. Theory was to be geared sharply to the interests of praxis." Their first concern, he said, was that their ideas form a basis for action by which society could be reformed.<sup>38</sup>

And here we find the first parallel with farm leaders. They, like the social gospellers, were not primarily theoreticians, but practical farm men and women who wanted results. Like Gladden and Rauschenbusch, it was concrete changes they sought: a new marketing system, new cooperative organizations, and ultimately, for some, a new society. Thus we find W.R. Wood, prior to his Secretaryship of the MGGA, speaking of the Grain Growers as "practical theorists," and expressing the need for the kind of person who "makes his theory a vital energizing factor in his daily life."<sup>39</sup>

The second - and more significant - defining characteristic revealed by Strain's generic analysis was what he called "the leitmotif of crisis."<sup>40</sup> The immediate future, he said, was believed by them to be a time for "radical change," which to Rauschenbusch was characterized as "either a revival of social religion, or the deluge."<sup>41</sup>

Again, this sense of crisis was also felt and expressed by both the farmers and social gospel clergy in Western Canada. Both used the language of crisis to define the current social situation, and this emerged repeatedly in both their written and spoken words. Thus R.C. Henders told the 1919 annual meeting of the MGGGA that, owing to dissatisfaction with the economic system, a "crisis has been reached," and that a "new era" was at hand, with a "new social order ... taking shape in the midst of the stress and peril of the times."<sup>42</sup> To Henry Wise Wood, a year later: "If we are not actually facing a crisis, we are certainly facing a [grave] situation."<sup>43</sup> Even a *Guide* article on wheat marketing thought its case for a wheat board to be strengthened by reporting the lengthy speech of an SGGA delegate who claimed that it was "four o'clock in the morning of a new economic day."

Farmers were encouraged in their sense of crisis by Salem Bland and other social gospel clergy. Bland gave virtually

the identical speech to both the 1913 and 1914 SGGGA annual conventions, declaring in both that a "great revolution is impending," and that the farmers were "standing at the turning point of history." This revolution would usher in an era of brotherhood when "the social laws of the jungle will give place to compassionate feeling and human sympathy."<sup>44</sup> When Bland became a regular contributor to the *Guide* following his dismissal from Wesley, this theme of crisis cropped up repeatedly in his columns.<sup>45</sup>

What was widely seen as a successful and heroic conclusion to the First World War was one of the factors precipitating this feeling of crisis, and the linkage was often made by Bland in his columns. W.R. Wood, immediately following the November 1918 armistice wrote a short piece for the Manitoba page of the *Guide*, which he entitled "The New Era" - an era to be ushered in on the coat tails of the War, and one which would see "a time when men shall look more generously on their fellow men," and when "common action shall be taken to curb any uprising of selfish forces."<sup>46</sup>

Indeed, it is important to recognize how Canada's perception of wartime experience was different than other nations, and engendered a unique response. In much of the world, particularly Europe, the War had put an end to the

nineteenth century's faith in progress. As Zweig put it, his generation had been "gruesomely taught" that "rash optimism seemed banal."<sup>47</sup> On the other hand, the involvement of the United States was short and their casualties relatively few. Canada, however, neither experienced the disenchantment of the War as did Europe nor escaped its ravages as did the Americans. On the contrary, according to Gerald Friesen: "The war was a continuation of the struggle to create a humane civilization." Prairie citizens, "standing against the 'autocracy' and 'militarism' of the kaiser ... represented ... fraternity, equality and liberty."<sup>48</sup> Indeed, it was not only in words that this sense of the triumph of right over evil was conveyed. (See Exhibit V-1.<sup>49</sup>) This unique Canadian perception of the War provided an impetus to the social gospel which it lacked on the American scene.

Having identified these two determining characteristics of the genre of social gospel literature, Strain then used Geertz's ideas on ideology, claiming for the social gospel the role which Geertz had defined for ideologies, *viz.*, the creation of "maps of problematical social reality," and "matrices for the creation of collective conscience." Strain discerned two "maps" of reality within social gospel thought: an historical one, which helped explain the roots of the present crisis; and a current one which provided an

analysis of the present ills of industrial society. The historical vision, said Strain, saw human history as a "series of crises, each of which represented a stage of human emancipation," and which together "swept mankind to its newest and greatest challenge - the abolition of industrial despotism."<sup>50</sup> Strain found his writers using as sources for these historical perspectives, the Old Testament Prophets, the teachings of Jesus on the Kingdom of God, and the communitarian life of early Christian communities.<sup>51</sup>

This kind of historical analysis seems to have been taken by farmers, sometimes without alteration, directly from social gospel thought. For example, Fred Green, Secretary of the SGGGA, told a Methodist audience that "the whole world seems to advance morally, socially and economically through epochs or crises," to the present time when "God's truth and the ideal condition for man on earth will be realized; when the principles of the man of Nazareth will conquer."<sup>52</sup> In 1916, Henry Wise Wood addressed a UFA Sunday service at Clover Bar, Alberta, and the *Guide* carried an account of his talk.

He traced the progress of the human race [and] the different phases of civilization from the heathen civilizations of the remote past to that perfect civilization, founded on love, which is the ideal yet to be obtained. ...

He referred to ... the small group of financiers [who] practically ruled the destinies of Canada, and pointed out the absurdity of a nation governed by Mammon boasting of her Christian civilization.

...

He pointed out that a true "Christian Civilization" could only be attained by tearing down our present social fabric and rebuilding it on a foundation not of selfishness but of mutual love taught by Christ.<sup>53</sup>

Wood's comments are thoroughly in the social gospel tradition, and strongly parallel the historical "mapping" of social reality which Strain found.

Examples which draw on the Old Testament prophets are rather rarer, but Allen cited a *Guide* article on the tariff which "sketched the 'ideal of the Hebrew Commonwealth' [and] illustrated the prevalent social gospel incorporation of the ancient prophetic tradition."<sup>54</sup>

These historical analyses can likewise be found in the writings and speeches of social gospel clergy who spoke to grain grower gatherings in rural Canada. Salem Bland's 1913 and 1914 address to the SGGGA annual meeting referred back to the "dark and stormy days following the fall of the Roman Empire," to the feudal system, and to "the last or latest stage of this wonderful evolution" which was to bring "the last stages of the results of the principle of freedom." All of this foreshadowed his later book, *The New Christianity* which set out his own view of how different "kinds" of Christianity had occupied human attention in various epochs, and how a new "labour Christianity" would emerge out of the current crisis. Foregoing the historical

analysis, but foreseeing still the end of "industrial despotism," Reverend J. Knox Clark told the semi-annual convention of the Neepawa, Manitoba, district MGGGA, that: "Democracy that is worthwhile can be realized, the kingdom can come only when economic autocracy is abolished."<sup>55</sup>

The ideological map of current problems - what Strain called the "critical analysis of the social order" - held as its precondition a "new image of man and society." Criticising the "rampant ideologies of individualism, these thinkers saw man as a 'member of the organic body of society, and hence essentially social in nature'."<sup>56</sup> This new image we have already seen in the ideological assumptions examined earlier, and will explore further in the next chapter. But it is important to note how the farm leaders often expressed their views in precisely the terms Strain identified, believing themselves privy to a "new" vision of human relationships. Thus a UFA official, P.E. Baker, was reported as giving an address on UFA Sunday pointing out that Christianity "has stimulated new conceptions of the relations of man to man and mutual responsibilities."<sup>57</sup> And R.C. Henders, spoke of the "new morality with a clearer vision of the brotherhood of man, as set forth in the life and teachings of the Great Teacher."

Strain found two versions of this new vision within the social analysis of the writers he examined. Under the first, which followed Rauschenbusch's critique of the ills of private ownership of land and factories, "capitalism is revealed as the taproot of alienation." The second, "less convinced by socialist criticisms," saw not capitalism, "but the ubiquitous trusts," as the corrupting factor.<sup>50</sup> Again, in the next chapter, we will see same division of thought within the agrarian movement.

The last function of the social gospel which Strain elucidated through Geertz was that of "creating a collective conscience." Here, Strain returned to the preference of his writers for praxis over theory, and found that they needed "an institutional as well as ideological matrix." They saw this role being fulfilled by the church itself: "In the minds of the social gossellers, the future of Western civilization hung upon the transformation of the church into a primary agent, if not *the* primary agent of change."<sup>51</sup>

The Canadian social gospel movement - and indeed, Canadian Protestantism in total - also saw the church as a vehicle for change. According to Magney, by 1913: "It was assumed by all that God had called the Church in Canada to the high task of nation-building based upon Christian

principles of liberty, brotherhood and justice."<sup>60</sup>

Similarly, Bland opined in his twice delivered SGGA speech:

The church ... must inspire brotherhood or both God and men will reject her. She must heal the breach, she must reach deep into the sense of wrong and injustice, she must pluck out of men's hearts this grasping remorseless materialism, or be trampled underfoot.<sup>61</sup>

But in Canada the role of the church as the "institutional matrix" for change was shared with secular organizations. The interpenetration between the social gospel and reform movements was very thoroughly documented by Richard Allen in *The Social Passion*. This linking of arms between the church and certain secular organizations was rooted in some very specifically Canadian characteristics, that are perhaps best illustrated by the contrast between the attitudes of the American and Canadian social gospel movements to relationships with government.

American social gospellers steered away from viewing the state as an ally in its cause, among other reasons because of the American tradition of separation between church and state. This, said H. Richard Niebuhr, "resulted in a tendency toward the withdrawal from entangling alliances with the world, and particularly with politics."<sup>62</sup> This aversion to "entanglements" in turn was rooted in an American vision of the nation having been "[f]reed from the oppressions of the European past, with its kingcraft and

priestcraft [and] embarked, she thought, on the task of building the new man and the new Eden."<sup>63</sup>

The aversion to incursions by the state into economic life ran strong in the mainstream of American social gospel thought. For example, W.D.P. Bliss, founder of *The Dawn*, guiding light of the Boston based Society of Christian Socialists,<sup>64</sup> and considered by May to be the most "tireless" and "successful" radical, whose philosophy May claimed was "actually socialism and not just reform," said: "We are not to be in haste to turn everything over to Uncle Sam, trusting to Uncle Sam to realize God's Kingdom in the United States."<sup>65</sup>

However, the attitude in Canada was markedly different on this point, and Canadian church leaders did not have the suspicion of government which their American counterparts had. As Stewart Crysdale put it, "the relationship between crown and cross in Canada was one of cooperation."<sup>66</sup> Moreover, in Canada "there was a respect for the older European traditions, and efforts to combine traditional and indigenous influences have been more characteristic of Canadian church history than the yearning for fresh starts" so evident in the U.S.<sup>67</sup> The result of this rather marked difference between the Canadian and American ethos was that the Christian calling was vested in the country's

institutions in ways that seem not to have occurred on the American scene. Contrast, for example, the view of Salem Bland to that of W.D.P. Bliss. Where Bliss called for an independence from the state, Bland thought that: "To discredit and attack the principle of public ownership is to discredit and attack Christianity. It would seem to be the special sin against the Holy Ghost of our age."<sup>68</sup> Nor was Bland alone in such sentiments. Magney quoted the Committee on Sociological Questions which delivered a report to the 1906 General Conference of the Methodist church on the matter of resource development:

Believing that "The earth is the Lord's and the fullness thereof," and that under the providence of God the State is a trustee whose duty it is to enact the conditions under which these divine gifts should be used for the benefit of all, we therefore condemn the handing over of large tracts of land to individuals and corporations without attaching conditions which would prevent their being held for speculative purposes.<sup>69</sup>

To the American mind, therefore, the apparatus of government was to be distrusted as an inferior secular construction; to the Canadian, turned to divine purposes.

Thus, while the social gospel in Canada, like its American counterpart, saw the church as the institutional agency for a changed world, it was willing to see other institutions share this role, and in Western Canada, the preeminent reform movement of the 1917 to 1925 period was that of the farmers.

Among the most compelling evidence for the interpenetration of the two movements was the flow of people from the church into grain grower organizations. Richard Allen explored this in some detail in his *Social Passion*. In a later article he pointed out that there were

many with aspirations to the ministry, others with some theological training, religious workers, and clergy [who] took up positions of influence in one or another of the farmers' organizations: Henry Wise Wood, Percival Baker, Norman Smith, William Irvine, Louise McKinney, G.W. Robertson, R.C. Henders, W.R. Wood, R.A. Hoey. Not infrequently, clergy joined ... Grain Growers locals. The Rev. P. McLeod [in] Baldur, Manitoba ... Rev. W. Kelly [who] was vice-President of the Wellwood local on Manitoba ... Revs. A.C. Burley, Harold Wildings and J. Griffiths [who] were delegates to the Saskatchewan Grain Growers' convention in 1920.<sup>70</sup>

As noted above, many of these were people who held senior positions in the organizations. Nor is Allen's list complete. In Alberta again, Irene Parlby, in whose *Guide* columns social gospel influence clearly emerges, was President of the UFWA; J.B. Musselman, who was deeply interested in the relationship between faith and society,<sup>71</sup> served as Secretary of the SGGA from 1914 to 1922, and Managing Director of the Saskatchewan Cooperative Elevator Company from 1922 to 1924; and Norman Priestly, a Presbyterian minister, was Vice President of the UFA.

Clergy were allowed to join grain grower organizations as full members, and as Allen pointed out, many did so. They also took full part in the proceedings. At the 1918 annual

convention of the MGGA, the following resolution was moved by the Rev. A.W. Kenner, seconded by the Rev. R.A. Hoey, spoken to by the Revs. Price and W.R. Wood, and passed unanimously:

We ... accept loyally the moral obligation [for] the development and expansion of the life amid which we move [and thus] urge the officers of every local branch to ...

1st. Unify and inspire the local community ...

2nd. Enlist the sympathetic co-operation of all the best elements, the finest moral spirit, the best trained intellect in the community for the cause.

3rd. Promote the education of the people [in] democratic leadership.

4th. Encourage the development of effective community workers.<sup>72</sup>

The active role played by clergy in the grain growers' movement is not surprising if we consider together the importance of community outreach in social gospel practice, and the pivotal role that Wesley College played in the religious life of the West. Richard Allen concluded that although "all the Protestant church colleges in the West ... became disseminators of the social gospel ... Wesley College was chief among them."<sup>73</sup> Ramsay Cook in a recent article linked several important reform leaders with the college - Bland, J. S. Woodsworth, William Ivens, William Irvine, and A. E. Smith - either as staff or students.<sup>74</sup> Woodsworth, of course, put social outreach into effect among immigrant workers in Winnipeg's North End, and Smith and Ivens carried

the cause to labour. But Salem Bland, who taught at Wesley from 1903 to 1917, was particularly active in grain grower circles, and Wesley produced scores of ministers, trained by the likes of Bland and his colleague A.J. Irwin and eager to translate social Christianity into practice. Just as Washington Gladden had encountered social distress in industrial America, and as Charles Stelzle had extended his social outreach to labour, these rural preachers would have found the opportunity to extend their hands to beleaguered farmers.

How would the influence of Bland and Irwin and the other Wesley social gospellers have manifested itself? Probably one of the most telling ways would have been through the sermons preached in country churches about "the competitive system" and its evil attributes, and about the moral virtues of the farmers' movement. Unfortunately, most of this kind of material has perished. Rural ministers spoke extemporaneously, or from rough notes or discarded their sermons after they were delivered. But a few survive, among which are the sermons of dismissed Wesley professor A. J. Irwin, and it is worth considering some of this material.

Alexander James Irwin was born in 1866, and educated in Ontario, at Victoria University, eventually earning a D.D. in 1912. As a Methodist minister, he served in parishes all

over Ontario. He also served as Secretary to both the Ontario and Canadian Temperance Federations. Irwin's association with Wesley lasted from 1913 and 1917, during which time he taught New Testament language and literature.

Many of his sermons reflected quite traditional concerns for individual salvation. "The Fundamental Religious Experience: A New Creation" dealt not with a new social consciousness, but with the entirely orthodox subject of redemption of the individual soul. Similarly, an early sermon, "Money and Work," dealt in part with stewardship, and the responsibility to use one's resources for the betterment of one's fellow man. However Irwin shared the social gospel's antipathy to free enterprise and concern for a transformed community. In "Money and Work," he spoke of a time in his boyhood when he worked on a hog farm, and of his observations at feeding time as the pigs pushed and shoved their way to the trough,

if no other way more practical [by] quietly placing their nose beneath the body of their neighbour without a by your leave lifted him into the air appropriating his position and his share. Such is life in hogtown. But is it any better in moneytown? Is the mad race we call competition for the best position and the largest mouthful very far removed from this? [And is] the man of financial might ... any less hoggish and brutish?

"Christ's Supremacy in Social and Industrial Relations," likely written soon after his release from Wesley, also opened with a criticism of the ethics of the business world,

which, he said, were characterized by the slogan of "every man for himself," which itself was "heresy against the lord Jesus Christ."

You are aware that suspicion and distrust lie just beneath the surface everywhere in the business world - whether justly or not, great masses of men feel that they are in some measure(?) the victims of direct or indirect conspiracy on the part of men possessed of monetary power and that is as dangerous to the peace of society as unjust rule in politics. In fact in the larger world of industry, employers and labor are organized into recognizedly [sic] hostile camps between which war often breaks out and between whom there is an abiding undercurrent of conflict of interest.

Similarly, in terms that anticipated Polanyi's much later criticisms, he spoke disparagingly of capitalism's view of labour as one

that puts it simply in the lists of costs with ore(?) and lumber and lime and oil - a commodity. This view that expresses itself - not in so many persons - but in so many hands.

The idea of immanent social change, and the use of historical analogy, may be found in a sermon entitled "The Divineness of Human Relationships." There he spoke of the Jewish hope for the establishment of a new Kingdom, and said that: "Today we live in expectation," because "A new social order is lying in the womb of life."<sup>75</sup> New ideals of human conduct would obtain in this new order, for the "little narrow selfish view" of who was greatest was "incompatible" with Christ's teachings, and although this ideal had always been acknowledged as appropriate for our personal lives, it now had to be applied to corporate life as well.

[We] feel more or less of a strain between the ideals of Jesus and the ideals of business. Our Christian spirit is impeded(?) and halts and does not permeate and organize life. ... Are we to content ourselves with a divided life - this futile attempt to serve two masters - or shall we seek an order capable of admitting and exemplifying(?) in the fullest measure the Christian spirit - wherein the master mind guiding shall seek the benefit of all - where the effect of industrial relations on whole life shall be considered ... where none ill fed - none half trained or let drift none devoid of opportunity to develop every latent capacity now left dormant.

Finally, like Strain's social gospellers, this was not mere theorizing. It was a "practical Christianity" which only a "selfish and superficial mind" could judge to have "nothing to do with modern industry and present day business life."<sup>76</sup>

But the most evocative sermonizing for the farmers must have been that which told them not only how the world was changing and the Kingdom was coming in, but also told them of the critical role they had to play in the transformation - which told them in fact, that their quest was a blessed one. Material of this sort does not abound, but it is not rare either.

In 1916 and 1917, the three farm organizations (the MGGA, the SGGA and the UFA) all instituted "grain grower Sundays" - the Sunday in May closest to "Empire Day." H.W. Wood introduced this concept to the world in a short article on the Alberta page of the *Guide*, suggesting that it was "fitting that we should set apart at least one day ... to

seriously measure ourselves, our aims and objects, by the standard of Christian teaching." In words that Strain would likely have recognized as echoing his social gospel writers, Wood urged speakers at these events to tell their audiences

how far they can depend on the church for leadership in making politics clean and decent, commerce fair and honest, and society elevating and satisfactory; how the door of hope, so long close barred, is going to be pried open to all the people; how the church expects to lead the people up to the overthrow of "Babylon," and how to organize and lead them in the preparation of the earth for the descent of the "holy City."<sup>77</sup>

Over the following years, the farm organizations' pages in the *Guide* carried accounts of these Sundays, noting the enthusiastic response, and quoting sermons and talks given at these gatherings. In 1916, the Alberta page in the *Guide* reported on several of them, noting how Mr. P.E. Baker had given "an interesting talk on the comparisons of the UFA standards of Christianity with the plane of Christ's Christianity."<sup>78</sup> In June of 1917, the Saskatchewan page gave the full text of a sermon by Methodist minister, H.D. Ranns, who later replaced Bland as the religious columnist for the *Guide*. He spoke of how glad he was to convey, on behalf of the church, "its sympathy with a great western movement that, speaking broadly, is working for the ends that the church is also seeking to accomplish."

Now no other agency has done so much to break down [the farmers'] foolish individualism as the Grain Growers' movement. The overcoming of this deterring factor has made possible united and successful action in working for better social conditions ...

We have all had ... too limited a view of what constitutes a call to service for God ... Now think how it would elevate and exalt all forms of life's activities if we said, "Called to be a farmer by the will of God."<sup>70</sup>

And in August of 1920, W.R. Wood reported on a grain grower Sunday sermon given, not by a minister, but a medical doctor, who told the assemblage that,

the association of the United Farmers of Manitoba recognizes the church of Jesus Christ and her ideals and principles, and they seek that you heartily encourage an aggressive movement in establishing her work. They want you to work to make the prayer of the church, "Thy Kingdom come," a veritable realization.<sup>80</sup>

All this was consistent with the message Salem Bland had given the farmers over the years. In 1914, he told the Saskatchewan annual meeting that

the call comes first to you. By your own experience of intolerable wrongs, by your sense of justice, by your love of brotherhood, by your faith in Canada's high destiny, you are summoned to lead in this crusade, this holy war, this uprising of a new and nobler Canada.<sup>81</sup>

Bland's faith in the farmers continued even after he had returned to Toronto, and in 1919 he contributed an item to the Saskatchewan page, noting

the special and pre-eminent responsibility of the Saskatchewan grain growers in the new field of action, into which, as I doubt not, Providence has led the farmers. ...

Next to the Christian church the greatest responsibility in this hour rests on the farmers of Canada - to see that the revolutionary tide ... should go far enough.<sup>82</sup>

The affinity between this kind of preaching from Protestant pulpits and the thinking of visionary cooperative

leaders who saw their movement ushering in a new day, a new ethic and a new humanity was strong. And to those who sat in the pews, the parallels between what they heard on Sunday morning and what they read in the *Guide* could not have been clearer. The ideals of the coop movement were clearly blessed ones, putting into practice, as so many of the farm leaders thought and said, the teachings of Christ.

Moreover, as H.D. Ranns had told them:

No two organizations mean more to prairie life than the church of Christ and the Grain Growers' movement. For my part I feel no incongruity in speaking at one and the same time of the church and the Grain Growers. Each needs the other [and] neither can fulfill its due destiny without the assistance of the other.<sup>23</sup>

Heady stuff for a group that was trying its best to get control of grain markets so that it could extract a higher price.

IN SUMMARY, THEN, the things that the social gospel and farm movements shared were:

- first: a common set of ideological assumptions about man and society;
- second: a common focus on praxis - on the action that had to be taken to solve social and economic problems;
- third: a sense of "crisis" - a feeling that the time was ripe for momentous changes that would alter social

relationships out of recognition, and usher in at least a kinder and more humane world, and at best a utopia whose character could only be conveyed through the imagery of "the Kingdom of God on Earth;"

- fourth: common ideological "mappings" of both the historic forces which had brought the Western world to the present crisis, and of the shape of this crisis with which the church and various reform movements had to deal; these ideological mappings also held in common both an identification of the chief enemy of their cause (the "competitive" capitalist system) and the goal to be achieved (the final stage of freedom and empowerment through economic democracy;)

- fifth: a need in each for what the other could provide: for the farmers, a sense of higher purpose and a redemption of what they recognized, in their more introspective moments, was deeply infected with their own self-interest; for the social gospellers, a cadre of the practical and worldly wise who could provide the economic knowledge and the organizing ability to carry out what the church itself could only dream of.

Consider then, how these factors came together with social circumstances in Western Canada in the early 1920's: a farm community reeling from a price collapse for their

goods; a long-standing and successful commitment, realized in United Grain Growers and the Saskatchewan Cooperative Elevator Company of cooperative enterprise; and farm leaders seeking to extend the lessons and experience with these earlier enterprises to the marketing problems they saw in the price collapse. The mix clearly was a volatile one, big with potential for social change - and the potential did not go unrealized.

Within this situation, farmers crafted an ideology which at its most extreme foresaw the agrarian movement having the power to transform history. Those who held this extreme view seemed honestly to believe that utopia was at hand, that their crusade would create the new man and the new society of love and brotherhood and justice, and that the West was to be the cutting edge, purifying existing institutions and leading the nation - if not the world - to the Promised Land. Of course, the insights of Reinhold Niebuhr and Northrop Frye on the persistence of human corruption and its ineradicable nature were in the future, and in the progressive temper of the times, would likely have been ignored if articulated. And so the utopian expectations of British cooperativism and the social gospel were appropriated by the farm movement, and reinforced one another in the ways we have seen.

But the utopians were the extreme, and the cooler heads among them were not quite so optimistic. Nevertheless, cautious or radical, they did share sufficient distrust of the market that, if they did not transform history, they at least transformed the Canadian grain industry.

It is tempting to speculate that the farm movement would not have achieved what it did without the authority which it took from the support of the social gospellers behind it. But this is one of those historical "what ifs" to which there is no answer.

In the next chapter, then, we turn to the farmers' ideology itself, will examine how cooperative ideas from Britain and the United States, combined with social gospel thought emanating from the churches, were used by farm leaders to forge the ideology of the Western Canadian farm movement.

## CHAPTER VI

### THE SOUL OF THE MOVEMENT

#### The Farmers' Ideology

Did you ever stop to think that the  
Grain Growers' movement had a soul? ...  
The soul ... is the spring of every  
movement ... which alone can make  
the brotherhood of man possible.

*S. W. Yates*

*Mr. Lucas:* Who makes money on this grain exchange?

*Mr. Bennett:* Well, I don't know. But I am often in  
Winnipeg, and when I walk down Wellington  
crescent, I will tell you somebody has  
made some money before they are able to  
build those fine, stately homes down there -

*Minutes of Special Committee  
on Canadian Grain Board Act, 1935*

THE MAJOR CHALLENGE ENCOUNTERED in describing the ideology of the farmers' movement lies in imposing some order and coherence on what was a diverse and amorphous discourse. Not only were there disagreements and inconsistencies among participants, but also, a broad shift in opinion occurred between the beginning of World War I and the middle of the 1930's, as farmers experienced, in turn, wartime price controls, post-war deflation, the failure of the pooling experiment, the depression, and the "stabilization" operations carried out by John McFarland.

To impose some order, it will be helpful to recognize that it was the market which was ultimately the subject of debate, and as farmers diagnosed their economic ills, the central question - not always clearly stated, but always present - was whether it was the market or some other mechanism which should be the arbiter of price and resource allocation. And broadly speaking, the shift in opinion referred to above entailed a swing in majority farm opinion away from an acceptance of the market, and towards centralization and regulation.

This shift, however, was a matter of degree, both qualitatively and quantitatively. Before 1917, there were both farmers, and elements of farm opinion, which were hostile to *laissez faire* economic thought, and after 1935, there were still farmers who opposed Wheat Board marketing. And even among those who were critical of the market, there was a diversity of view which led Ian MacPherson to distinguish "three kinds of co-operative enthusiasts": the "utopians," who looked for "a complete reformation of society;" the "pragmatists," who saw cooperatives as "correctives to the existing system," and the "occupational co-operators," who compared coops with labour unions: organizations designed to give the farmer bargaining strength in the marketplace.<sup>1</sup> Although Macpherson's

categories are accurate, the position taken in this study is that there was sufficient commonality of view between the diverse groups for them to coalesce around common policies for wheat marketing.

The documents of the time clearly reflect this continuing diversity. At the end of the War, for example, farmers predominantly diagnosed their ills not in terms of the immorality of the existing market system but in terms of the impediments to its proper performance - chief of which was Canada's tariff policy.<sup>2</sup> (See Exhibit VI-1.<sup>3</sup>) At the same time, however, the 1917 fixing of wheat prices under wartime control was interpreted by *Guide* cartoonist Arch Dale in terms which prefigured later, more radical arguments of farm leaders (Exhibit VI-2)<sup>4</sup>: the teeter-totter of "manipulation" being bounced upon by the slightly sinister looking speculator; the fulcrum of "food necessity," suggesting that food is too basic a need to be subject to the amoral action of the market; and the happy look on the face of the consumer because the shenanigans had been stopped. Similarly, in 1935, United Grain Growers, while generally supportive over the years of the wheat board concept, was opposed to the compulsory features of the Bill which created the Board, and did not align itself with the Pools' radical critique of the market as a morally corrupt institution.

Between these two dates, however, it is fair to say that the pro-market opinion weakened, and the anti-market opinion became sufficiently dominant to change wheat marketing and associated policies.

The purpose of the first section of this chapter is to describe the ideological assumptions which were adopted as the underpinning of Western Canadian cooperative philosophy, under headings which closely parallel those used in Chapter III. These assumptions will come as no surprise after the material contained in the preceding two chapters. The western farm movement adopted an ideology which was hostile to large accumulations of private wealth, stressed communitarian values and group action, held human beings to be more than seekers after material self-interest, and emphasized the presence of conflict rather than harmony in *laissez faire* society. Accordingly, the reader will find this chapter somewhat repetitive of the themes and ideas explored in the preceding two.

Nevertheless, it is worthwhile to consider in some detail the pronouncements of farm leaders wherein these sentiments were developed. First, it is valuable to listen to how the farmers themselves formulated their ideas. Second, there were two distinct strains of thought on the issue of communal decision-making which were not consistent with each

other. Third, we will see that the coop movement emulated *laissez faire* and developed its own "harmony" theories to "rescue" its ideology from having to consider the full implications of human conflict.

We will find that the interdependence of the five areas under which we are considering the ideologies of *laissez faire* and cooperativism is acutely apparent in the farm leaders' statements. These will frequently be found to bear upon more than one issue and do not fall into the neat conceptual categories we have identified here.

The second section of the chapter deals with the farmers' critical views of the market - focussing particularly on futures markets.

#### A. The Primal Assumptions

##### 1) Wealth

RECALL THAT THE FIRST PREMISE of *laissez faire* lies in the moral sanction which it accords to the private acquisition and control of wealth. As we saw, a private enterprise economy, by definition, is one whose productive enterprises are owned and controlled by individuals possessing the means or ability to acquire them, and where economic decisions regarding pricing and disposition of goods are made by

individuals acting in the marketplace. Moreover, no standards will be found within the moral assumptions of *laissez faire* governing the size of one person's assets relative to another's. The right to acquire is largely without limit.

Between 1917 and 1935, however, farm leaders nurtured and promoted a set of values that were fundamentally at odds with those embedded in liberal economic thought. The elements which characterized this view were:

(a) that wealth is, to some extent at least, socially, rather than individually, produced;

(b) that the co-existence of poverty and wealth is morally offensive, and accordingly that a more equal distribution of wealth is desirable; and,

(c) that concentrations of wealth tend to be associated with concentrations of power which are productive of injustice.

The concept of wealth as a social, rather than individual product, was probably most widely held in relation to natural resources. R.C. Henders, President of the Manitoba Grain Growers, and one of those who would be classified as a "utopian" cooperator in MacPherson's typology, defined the

issues as he saw them at the 1914 annual meeting of his organization in Brandon:

These great resources of wealth and comfort which a wise Creator has provided for the well-being of the human family should be so managed that at the lowest possible cost all the people dependent upon them should have the easiest possible access to them. ... How very different it is at the present time: everyone of them bartered away in the first place to the favoured few, who, by this act, are put into the possession of fabulous wealth for which they give no, or at the most very inadequate, return.<sup>6</sup>

The religious dimension to Henders' argument, that natural resources come from God, also featured in one of J.S. Woodsworth's *Guide* columns, "Sermons for the Dissatisfied." "What sacrilege!" said Woodsworth, that the owner of a coal mine can claim for his own "what it took God Almighty millions of years to produce".<sup>6</sup>

Public ownership of natural resources was also one of the planks of the "Farmers' Platform" of 1916, and in 1919 the *Guide* ran an article about the Platform, linking private ownership to the injustice of concentrated wealth. The principle that forests, mines and the like "should not belong to any individual ... for [his] own enrichment," but "should belong to the country," it said, "is as fundamental as the principle that privilege for the few at the expense of the many is a denial of the spirit and true meaning of democracy."<sup>7</sup>

Later, the view that the social nature of wealth is grounded in human nature emerged more prominently. In April 1928, Manitoba Pool Secretary F. W. Ransom drew together the social character of man with the social nature of wealth when he wrote that:

Man is a social being and you cannot disconnect that fact from the activities of his daily life. He may plow and sow ... but at the same time he is building a home; he may take his load of grain to market, but neither the road over which he drives nor the market would be possible without the combined action of the community.<sup>9</sup>

Henders was one of the few farm leaders willing to follow the logic of this point to its ultimate conclusion, claiming that: "All wealth is social, and is developed by mutual process."<sup>10</sup>

Interestingly, as noted in Chapter III, Locke's land and labour paradigm was invoked to defend, not the rights of those who owned the land, but of the people who worked it. In 1910, W.D. Lamb, a regular contributor of letters to the *Guide*, pointed out that "farmers should get the increased value, that their presence and industry puts upon the ... land" but absentee landowners denied farmers their due. Ten years later, in 1920, SGGa district director, H.C. Fleming said wealth "in its final state was the product of these natural resources, under the application of labor," but that manufacturing and financial institutions were "receiving an undue portion of the country's wealth."<sup>11</sup>

It is also worth noting in passing the interesting hints that the grain growers' high ideals were not extended to their treatment of the hired man - a person who, under Lamb's logic, ought to have been "rewarded in proportion to his work."<sup>11</sup>

The second characteristic of the farmers' views of wealth was that the co-existence of poverty and riches is morally offensive. This sentiment was probably more widely and less ambiguously held than beliefs about the social nature of wealth. To idealist R. C. Henders, it was clear that "the means of production have become equal to supplying the needs of the world," and accordingly: "Poverty ... has therefore come to be a social crime."<sup>12</sup> Likewise, to pragmatist Crerar, among "the real ideals" of the farm movement was "to make an end of the greatest of all scandals" that Canada should fail "to afford ample security against want" for any but a very small minority.<sup>13</sup>

As Geertz described, clever rhetorical devices were used to promulgate these ideas, and to augment their more serious expression elsewhere. The *Scoop Shovel*, in 1928, hammered home the injustice of poverty in the presence of wealth in a series of updated nursery rhymes. "Royalty and the Fool," for example, was modelled on the children's rhyme, "Sing a song of Sixpence."

The King was in his counting house,  
Counting out his money,  
A thousand times what he could use,  
Now doesn't that seem funny.

It certainly does, Here you have been putting in long hours at hard labour raising the blamed stuff, and there sits the king in possession of all the fruits of your industry. Let's go into your counting house and take a look at your pile. What! You have no counting house? Oh, pshaw. Why? Answer me at once, Sir. Why haven't you?

And the fool? The farmer of course. Several verses later, we meet him:

The fool was raising corn and wheat,  
He wore no cap and bells,  
But all the same he furnished the  
Amusement for the swells.<sup>14</sup>

And so on through several more verses interspersed with withering commentary.

This logic led naturally to the position that a more equitable distribution of wealth was desirable. As early as 1913, W. J. Tregillus, the President of the United Farmers of Alberta, told his annual meeting delegates: "We are fighting for a just cause, a true democracy and an equitable distribution of wealth,"<sup>15</sup> a sentiment the SGGA's Fleming reiterated in the talk cited above, saying that: "All social problems arose out of the distribution of the wealth" just as their solution lay "in their equitable distribution." According to him, "the real producers of wealth" - among

whom farmers ranked themselves quite high - "were not receiving a square deal."<sup>16</sup>

The third, and probably most consistently held belief about wealth, and the one lying behind the earliest calls for reform, was that the concentration of riches led almost inevitably to the abuse of power. This of course was the moral judgment, which grew out of the classical *laissez faire* sympathies of the early movement, and upon which was built much of the critique of the tariff. Although they did not at this point realize it, farmers were adopting Myrdal's "radical postulate of freedom" which entailed alteration to the present state to achieve a perceived ideal. J.W. Scallion, former President of the Manitoba Grain Growers Society, and patriarch of the movement, spoke to the MGGGA annual convention in 1912 of the need "to protect farmers from the exploitation by predatory corporations and the beneficiaries of Special Privilege," who, through

a system of interlocking directorates have created a community of interests and a power to influence for a common purpose that is nothing short of a menace to the rights and welfare of the common people. They are creating industrial and capitalistic feudalism which should not be tolerated in a democratic country.<sup>17</sup>

The *Guide* carried regular articles - laced with moral outrage - on trusts and combines, on the private holdings of major financial figures, and on the power wielded by key business executives. As one article put it:

The money power becomes concentrated in fewer and fewer hands. And these all-powerful money barons use every means, legitimate and illegitimate, legal and illegal, moral and immoral, to perpetuate their privileges and still further tighten their strangle-hold upon the nation. It is this power ... which the people must somehow wrench from the trusts if our democratic countries are to be rescued from the grasp of the Special Interests.<sup>10</sup>

We see here not only the critique of the power of wealth, but also an example of Geertz's concept of the use of special language in ideological development. The terms "the Interests," "Special Privilege," the "New," or "Industrial, Feudalism," and "Plutocracy of Wealth" were appropriated and used metaphorically by farm leaders to convey their sense of powerlessness. Unlike Geertz's American example of "slave labour" law, these metaphors worked, and farmers did not perceive too great a tension between their own circumstances and those of the mediaeval peasant. This kind of language was also used in rhetorical devices like the poem by Gerald Lively in Exhibit VI-3 which appeared about four months after Scallion's speech, and described in rich symbolism the rape of the fair maiden Canada by the "combines, mergers and rings."<sup>11</sup>

Scallion's reference to democracy is also significant, because, as we will see later, "democracy" came to be a metaphor for the solution - or set of solutions - to the farmers' problems. It meant much more than one vote per person; it came to stand for empowerment, dignity, justice -

a host of principles that farmers felt were lacking in the economic status quo.

Exhibits VI-4 to VI-6 are drawn solely from 1913 editions of the *Guide* showing just how frequently and effectively metaphorical and other literary devices were used to hammer home the message of the economic power of business being used against the farmer.<sup>20</sup> The *Guide's* editorial on Exhibit VI-5 (which had an accompanying article) was particularly interesting. In 1913, farmers were still drawing on classic liberal thought, and although the condemnation of wealth was present, the condemnation was of the impediments to the proper functioning of *laissez faire*, not its inherent immorality. "We have no complaint because certain individuals have accumulated a large store of wealth," said the *Guide*,

provided that wealth has been gained honestly, under conditions of free competition, and without the aid of privileges which are open to all. The fact is, however, that the Triple Alliance [of railways, banks and manufacturing interests] owes its wealth and power in a very large degree to favors which have been conferred upon it by parliaments and legislatures. Special Privilege is the foundation stone and the pillars on which Big Business is built.<sup>21</sup>

Later the proviso of "free competition" was dropped, and large concentrations of wealth *per se* were condemned as symptomatic of the "competitive system" itself. Thus Pool Secretary, F. W. Ransom wrote in 1926:

How is it that we have a situation of this kind that a few have been able to get all whilst many have to do without? It is the profit system, one whereby each is looking out for himself - "let the devil take the hindmost." Dividends, profits on shares, money the goal; these are the causes of those vast accumulations of wealth, and the gap between rich and poor.<sup>22</sup>

All the foregoing, then, indicates how the producer coop movement in Western Canada worked its way steadily toward an increasingly radical vision of wealth that was markedly different from the vision underlying *laissez faire*. The difference lay - and this will apply with all the other primal assumptions as well - in the strength with which the conviction was held, the contempt in which it led the more militant cooperators to hold the market system itself, and the policies it led them to adopt - promoting the termination of market exchange for wheat at the farm level - to remedy the ills which they saw.

But it should be noted here that there was a great deal of intellectual tension within the movement between its idealistic views on the pursuit and distribution of wealth, and its evident self-interest in a higher price for farmers' grain. They sought to redeem this self-interest by identifying their quest for better prices with higher and disinterested goals such as "a square deal for the real producers," or "a fair income for the farm family." The statements of farm leaders in this regard can be interpreted cynically as pure rationalizations, or naively as proof that

the farm movement was somehow purer in thought and deed than the grain traders they sought to overthrow. Neither interpretation is valid. They were, of course, neither more nor less ethical - and neither more nor less disinterested - than their opponents. We will return to this theme throughout this study.

The other four areas under which we discussed the ideological assumptions of *laissez faire* will be taken here in a slightly different order than was done in Chapter III. The reason for this is that, whereas *laissez faire's* defence of individualism was based on freedom, the farmers' critique of it was more closely associated with arguments about harmony and conflict. Essentially, individual freedom was seen as licence to exploit (a conflict issue) rather than freedom to gain (the driving goal of economic man.) Accordingly, it will make more sense here to juxtapose the treatment of individualism with that of harmony.

We turn next, therefore, to the issue of utilitarianism.

#### ii) Utilitarianism

IT WILL BE RECALLED that the basic premise of utilitarianism is that human beings operate under the universal motives of pleasure and pain, unremittingly seeking the former and avoiding the latter. Being governed ever and always by the

"pleasure principle," the possibility of a self-denying action is precluded.

If the statements of farm leaders on utilitarianism are indicative of nothing else, they show how frequently they failed to think particularly deeply about some of their beliefs, for when they did bring utilitarian language into their arguments, they did so with approval. The great utilitarian sentiment, "the greatest good for the greatest number" popped up repeatedly as the goal of economic life.

Thus, J.W. Tregillus, addressing the UFA in 1914: "co-operation is not only the life and death of trade but the very life of national existence. Ours must be the beneficent democratic combine of the greatest good to the greatest number."<sup>23</sup> And Norman Lambert, Secretary of the Canadian Council of Agriculture in 1919: "This work is proceeding on straight utilitarian lines which should bring the greatest good to the greatest number."<sup>24</sup> And F.W. Ransom in a 1946 address, "Co-operation and Religion": "Control by the people, working together in the spirit of service, providing the greatest good for the greatest number are the objectives which infuse warmth and religious fervour."<sup>25</sup>

Over against these statements, the farmers advocated the life devoted to public service as morally superior to the

life of mere profit-seeking. However, they seemed to be totally unaware of the philosophical inconsistency between the two. But then, they were not, as we observed earlier, primarily interested in the theoretical underpinnings of liberal economic thought, and would not likely have been greatly interested in the philosophical objections to utilitarianism. And besides, who can object to such an obviously warm sentiment as the greatest good for the greatest number? Only fusty philosophers who point out that the phrase is logically empty and the goal technically impossible of measurement.

### iii) Economic Man

WE COME TO A MUCH MEATIER ISSUE with the concept of economic man, for this deals with a fundamental perception of human nature. Recall how the doctrine originated in the belief that human beings have an innate acquisitiveness inculcated by Providence. We also saw how critics of the concept denied that human beings are so motivated, or claimed that, to the extent such motivation exists, it is too limited a basis for the norms of economic behaviour.

Although the concept of economic man was rarely identified directly by farm leaders, their statements nevertheless reflected an implicit critique which came in

three forms. First, there was an almost continuous condemnation of the inferior and uncaring motives of economic man, normally expressed by describing key categories of *laissez faire* - profits and competition - in terms of greed, gambling, jungle ethics, devil-take-the-hindmost, and like phrases. Second, farm leaders advocated the ethical superiority of motives of service and self sacrifice to motives of profit and self interest. Third, like Rauschenbusch and the social gospellers, they held that, just as the existing system induced and encouraged the base motive of acquisitiveness, so cooperativism would cause people to be motivated by the need of their fellow creatures.

The more virulent condemnation of economic man and the profit system normally came from the "utopian" cooperators like W.R. Wood and R.C. Henders, but the same sympathies ran deep throughout the farm movement. In 1910, Fred W. Green, the Secretary of the Saskatchewan Grain Growers' Association, told the Young People's Society of Zion Methodist Church in Moose Jaw about:

This money God which takes by cunning device the money earned by him which digs it from the earth; and the sweat of his brow has given him a right to it against the universe which no one has right to touch without his consent. Yet there stands this God with unlimited power. Yet cold, heartless, selfish, a God without pulse, no human feeling of pity or love. Its sole interest is gain or accumulation. It would coin dividends out of the destruction of souls. Desperate in its struggles with the rights of humanity.<sup>26</sup>

And to destroy this God, said Green, it was necessary to go to the fountain-head and shut down the whole competitive system"

The price fixing debate which took place during and after the Great War, generated a great deal of debate about human motivations and the ethics of different pricing systems. In fact, Arch Dale's portrayal of the 1917 padlocking of the wheat price teeter-totter (see Exhibit VI-2 above), was simply a visual presentation of comments like those of Henry Wise Wood who told the UFA membership in 1918 that "by the very necessities of war, profiteering, speculation and gambling was [sic] eliminated from the wheat trade."<sup>27</sup> And in 1919, SGGGA member George Miller criticized the farmers' interest in price fixing in terms which rejected the motivations of economic man outright. The matter should be considered, he said, in terms of "the high ideals which the Grain Growers have upheld for many years [but instead] most of the pressure ... is prompted by a rapacious desire for personal gain, rather than a desire for the welfare of the community."<sup>28</sup>

More typical of the condemnation of economic man than comments about price fixing, was Henry Wise Wood's well known *Guide* articles about "group" theories. We shall refer to these again when we deal with the theme of individualism,

but the following quotation brings together Wood's ideas on wealth and economic man and also illustrates how cooperative leaders believed their programme would bring about a harmonious world. In this passage, Wood's phrase "the true social laws" means cooperation, against which he had placed the "false social laws" of competition. What to liberal thought was a God-given acquisitiveness, to Wood was "greed," which, "like a great octopus" sent

its tentacles out through the fabric of the social system, sapping the strength and the life blood of the people through the pores of trade and commerce, till it has acquired the power and arrogated the authority of a god, and is enthroned as Mammon, ... the god of competition, the great enemy of mankind ...

Commerce is not the cause of war, but the wrong use of it is. Commerce used in accordance with the true social laws of life, would be the greatest binding tie in the social system.

It would draw the nations of the earth together in one great, indissoluble union. It would destroy war and establish peace. It would destroy competition and establish co-operation. It would destroy Mammonism and establish the supremacy of Nature's true God.<sup>29</sup>

The level of sophistication in the arguments against economic man rose as time went on, and in 1928, Ransom wrote an article prefiguring Polanyi's concept of the need to render economic relationships subservient to social concerns:

The competitive system deals with man only as a being with a body to feed and clothe, as an individual only with self interest, as an animal; it is a policy of each for himself and devil take the hindmost; but co-operation says the body to feed and clothe is that of one who lives and works with others - that is a human being.

Within cooperation, said Ransom, "human rights are ... absolutely first, capital serving labor and not labor serving capital."<sup>20</sup>

In a 1933 radio address, Ransom picked up the imagery of "Mammon" used earlier by Wood and Green, and linked both the Depression and the attendant ills of agriculture, directly to the love of wealth. The real cause of the current plight was "not economic but moral," he said, because: "Our idol is Mammon (and we) have exalted money and property to the place which should be occupied by human values and life."<sup>21</sup>

Over against the motivation of greed and the rapacious nature of the competitive system, was set the ideal of service and self-sacrifice. Thinking on this theme was given impetus during the First World War by what R.C. Henders described as "the opportunity which the war has afforded to capitalists for the purpose of piling up profits."<sup>22</sup> (See Exhibit VI-7<sup>23</sup>) Thus the war's legacy, said another article, was to heighten an awareness of the ideals of service:

By and by will come about a way of thinking which will hold it a disgrace to be rich and an honor to serve. The war has proved that millions upon millions are ready to sacrifice for exalted purpose ... The day will come when the less dramatic service of mankind in peace will command as whole-souled consecration of self as did the war.<sup>24</sup>

John Hull, editor of the *Scoop Shovel*, described the contrast between the motives of economic man and the person dedicated to service in a most direct way at the International Pool Conference in Regina in 1928. To him, cooperation "implied a new social order" which

was a challenge to the existing order. ... To self-interest, the basis of the capitalist system, co-operation opposed the common good; to the motive of profit making, the motive of service; to the method of competition, the method of working together, "each for all and all for each," and to wealth for the few and poverty for the many, the ideal of the co-operative commonwealth with neither extreme of wealth nor extreme of poverty.<sup>33</sup>

Irene Parlby, who had headed the UFA women's section, and who became Minister without portfolio in the UFA government in Alberta, rejected economic goals outright as the fundamental aim of cooperativism. In 1927 she wrote in the *Guide*,

that all those who are sincerely interested in the co-operative movement should be giving themselves to a study of its inner meaning.

Co-operation is not fundamentally an economic movement. It has roots in the things of the spirit; the soil in which it flourishes and grows into a mighty tree, is composed of love, service, loyalty, honor. These are all spiritual qualities and without them the co-operative movement can never reach its full development, can never hardly hope to survive over any great period of time. With these qualities as a foundation it can in time transform a world made hideous by the competitive system, into a democracy of hope, justice, happiness for all.<sup>34</sup>

Coupled with the condemnation of the motive of self interest, and the advocacy of the motive of service, was a faith in the power of cooperation to perfect both

individuals and society. As early as 1911, a feature article for the *Guide* quoted Mr. William Maxwell, President of the International Co-operative Alliance, as praising the "moral results" of cooperation: "It has been a powerful factor in breeding honesty and honor between man and man, in promoting peace ... and in encouraging thrift and temperance."<sup>27</sup> In 1914, R.C. Henders, with his usual hyperbole, told his delegate body:

When we recognize the influence and power of co-operation and we begin intelligently and earnestly to practice its principles a new era of civilization will dawn. In the principles of co-operation we find deeply engrafted the spirit of brotherhood, and that in carrying out these principles each man will look not only on his own things, but on the things that make for the happiness of his brother.<sup>28</sup>

Such, then were the indirect ways that the farm movement expressed its critical view of economic man. The term itself was not used widely, but it is apparent that the importance of the concept to *laissez faire* thought and practice was quite well understood, and explicitly rejected.

But once again it must be noted that against these high minded ideals ran the current of self-interest which was never eradicated, and to which the farm leaders were oftentimes blind. John Hull, among the most idealistic of cooperative thinkers, still ran cartoons like Exhibit VI-8,<sup>29</sup> seemingly oblivious to the fact that they espoused the very acquisitiveness he condemned elsewhere. Nevertheless,

this "taint of self-interest," to use Niebuhr's words, does not negate the fact that, whereas *laissez faire* ideology explicitly condoned self-interest as the mainspring of economic life, cooperativism just as explicitly rejected it, and in the process, rejected the concept of economic man.

iv) Individualism and collectivism

RECALL THAT LIBERAL ECONOMIC THEORY rests on the premise that human beings are by nature solitary but congregate under a social contract for mutual advantage. Mutual responsibility for one another's welfare is not thought to extend beyond the bounds of family ties or voluntary friendship, and such benefits as one's actions yield to others are thought to arise through the agency of Smith's "invisible hand."

Recall too that *laissez faire* sought to free individuals from what it perceived as the constraining hand of society, and allow them to better themselves in whatever manner their ingenuity and energy might permit. Indeed, as we have seen, one of the defining characteristics of a liberal, or free enterprise, economy is that it is individuals, not public bodies, who determine, through their actions in the marketplace, what is to be produced, bought and sold, and at what price.

Farm leaders, however, enunciated an ethic of mutual responsibility which was fundamentally at odds with these ideas and which embodied the ideals of equality of wealth and motive of service we explored above. Farmers, said W.R. Wood, "hold a definite theory of community life," and "have seen the vision of a community in which all are interested in each other, in which there are no very rich and no poor [and] in which public spirit and the sensitive public conscience are recognized factors in everyday human intercourse."<sup>40</sup>

-- However, Western Canadian cooperativism had within it two distinct strains of thought on this issue which were not entirely consistent with each other. The first of these was an "idealistic" strain which grounded mutual responsibility in moral considerations; the second, a more "prudential" strain which saw combination and mutuality as an extension of the principle of self-interest. "Pragmatic" and "occupational" cooperative thought tended to build their case on "prudential" considerations, arguing that it was "good business" to cooperate, or that cooperation was a matter of "strength in numbers" required to combat the power of labour and business in acquiring a fair share of the economic pie. And, as noted above, there arose a tension between these two that was never really resolved.

However, it would be wrong to picture a strict polarity between them. On the one hand, as Hull's cartoons show, the idealists also accepted the importance of the pragmatic goals of combination, while those who argued prudentially always recognized the need to justify and redeem economic combination on ethical grounds. Moreover, the idealistic strain appeared early in agrarian thought, while the farmers' ideology was still predominantly *laissez faire* in nature. Thus Thomas Crerar, who was basically of the pragmatic school, wrote in the "Progress Number" of the *Guide* of 1911, that while "co-operative marketing ... is a practical thing," enabling farmers to do business more economically, it is also

a Christian thing, drawing men together by the thought that they are working in harmony, helping to bear each others' burdens. It is bringing home the idea in a new light that the real success and happiness of the individual is bound up in the success and happiness of those around him.<sup>41</sup>

SGGA secretary Fred Green, writing in the same issue, praised "The socializing effect of this movement," for developing a "brotherhood spirit" which showed "how men of all nations can live harmoniously." The SGGA's aim, he said, was to "attract the world by the centripetal force of applied brotherhood to the business relations of men."<sup>42</sup>

These communitarian sentiments were grafted into the founding principles of the farm organizations. The MGGA

constitution, for example, explicitly specified that "the good of the community is the fundamental purpose of the Association," and this principle was given expression during the business sessions of the organization.<sup>43</sup>

The Pools carried the communitarian goals of the MGA forward, and in 1935, Manitoba Pool Secretary Ransom told a radio audience that

we believe that society can be reorganized on the basis of service without the motive for profit and that it can be made to function for the service of humanity; that instead of an individualistic basis for society, to associate and work together for the common good is more in accord with the natural way of living.<sup>44</sup>

Later, Ransom developed his own definition of the "spirit, soul, call it what you will" which makes a business become "a movement or a cause." This "soul," he said, was the "collective good [which] determines right and wrong." Moreover, "the joining together of the good that is in each" was the "force or power superior to [man] himself," or: "In other words, God."<sup>45</sup>

An interesting example of this idealistic view may be found in a letter sent to all Manitoba Pool local association secretaries which was in a question and answer format reminiscent of a catechism. "Why did you join your association?" reads question 4, to which the prescribed answer is:

Because I believe that by joining together with my neighbours and acting as neighbour is the way to live. We are by nature, social beings designed to live and work together. Competition leads to destruction and death; by co-operating we build for eternity; mutual aid is the law of life.<sup>46</sup>

Over against the idealism contained in these statements was the second strain of cooperative thought embodying the more hard headed and selfish attitude which saw cooperation as banding together for strength. All in all, this was probably the more widely held view, seeing farming as a business which, like other businesses, had to combine to meet other organizations on an equal footing. And it was precisely on the moral rectitude of such action that the tension between the two strains of thought occurred. After all, if it was wrong for the Canadian Manufacturers Association to use economic strength to seek privileges for its members, why was it not wrong for farmers? Moreover, the logical extension of the idea of community was the whole of humanity. If farmers joined together to achieve market power, did that not lay them open to the charge of trying to extract monopoly prices from consumers?

The suggestion that farmers might take a page from industry's book crept in even in the early days when industrial combines were condemned as perversions of *laissez faire*. In 1911, the *Guide* printed a long list of industries which "are formed for the sole purpose of increasing

profits," pointing out that even labour, hitherto exploited alike with the farmer, had "organized for self-protection." In contrast, however, farmers "are still practically unorganized," and their only hope for "a square deal was to band together "for the taking of united action towards relief."<sup>47</sup>

The potential contradiction between the condemnation of business combination and the calls for greater farmer organization, was not lost on the agrarian leadership, and attempts had therefore to be made to reconcile the two. In 1917, the *Guide* articulated the basic position of the farm movement on this question: they were simply organizing for self-defense, not for Special Privilege:

Practically every important business in Canada is today fully organized for self-protection and for mutual benefit. Many of these business organizations have secured ... special concessions at the expense of the general public [which] bear most heavily on the man on the land. It is only a few years since the farmer was an absolute individualist [with] no power to demand redress. Steadily, however, the farmers are organizing and are demanding that these unjust burdens be lifted from them and that they be given an opportunity to retain for themselves and their families a fair measure of the wealth which by their own labour they produce.<sup>48</sup>

The need for strength in numbers was of course a major theme in the Pools' campaign during the 1920's, and in many of the Pool statements, the cooperative idealism and hostility to private enterprise seemed to have been entirely forgotten. Prices "have been higher than they ever were

before for three continuous years , because you have had the bargaining power of 138,000 of your neighbour farmers," wrote Colin Burnell to his members in 1927,<sup>49</sup> while an Alberta Pool pamphlet declared:

There is no conflict between business and co-operation. ... it is an attempt on the part of agricultural producers to copy big business methods and secure the economic gains of large scale production and organization.<sup>50</sup>

As always, the cartoonists helped to illustrate the point. (See Exhibit VI-9.)<sup>51</sup>

The strongest advocate on the prudential side of the argument was without doubt Henry Wise Wood, whose writings vividly illustrate how ideologies are built on Schumpeterian "visions." In "Organization for Democracy," Wood accepted *laissez faire's* traditional concept of human beings as monadic individuals emerging in pre-historic times to form groups. But where liberalism saw individuals hammering out a mutually beneficial contract, Wood's view is of humanity starting off on the wrong foot. Living in "a condition of savagery," human beings had to choose between "the law of animal selfishness and the law of social unselfishness." Unhappily, the competitive state of nature provided only one behavioural model, and thus "of unavoidable necessity" human beings had to choose

the law of force, the law of selfishness, carried out by the method of competition and conflict. ... While this is the true animal law and the true animal method, it is the false social law

and the false social method ... and through the upward struggle of humanity, the tap root of all our woe and misery has been selfishness and competition.<sup>52</sup>

As anthropology or as history the article was pure invention, but its ideas provided Wood with the framework to identify competition as the "false social law" and the driving force behind an industrial plutocracy oppressing farmers. To oppose these forces, therefore, farmers had to "mobilize their full strength" to protect their economic rights and interests "at every point where they are being attacked competitively by other economic class groups."<sup>53</sup>

In some ways, Wood was actually at odds with his colleagues, because he did not accept the idea of cooperation as a means of changing and perfecting human nature: "we are just as bad as any other people, and they are just as bad as we," he said in a speech in Crossfield, Alberta in 1919.<sup>54</sup> But Wood, being deeply religious, thought that society *in toto* could be perfected by conducting economic life in accordance with Christian precepts. He had developed these ideas in 1917 in two *Guide* articles advising ministers on how to approach "Grain Growers Sunday" sermons. Social problems "can never be solved by individualism alone," said Wood, but "must be forced by the co-operative strength of mobilization." But:

Until the problems of trade are solved according to the laws of Christ, His will cannot maintain on earth ... The solution to the economic problem must be spiritual rather than intellectual. ...

The progress of the church lies directly through the solution of these problems.<sup>25</sup>

Accordingly, he advised, do not talk about "orthodox things ... about Jesus as a personal Saviour," but rather, about "trade, politics [and] social affairs." Teach them, he said:

That all real human reform is a matter of substituting the spirit of unselfishness for the spirit of selfishness, the divine spirit for the animal spirit. ... Tell them that the only thing Jesus ever taught us to pray for was this re-organized, regenerated, perfected civilization. ... Also remember to instruct them that this work cannot be done by individuals [alone, but] by the united action of individuals mobilized into great bodies. ... Today, for the first time, the world is not longer satisfied with a personal Saviour only, but is looking for, asking for, and demanding a social Saviour.<sup>26</sup>

These then were the two contending streams of communitarian thought within the farm community: the idealistic which saw mutual responsibility as organic to human life, and which believed cooperativism would annul greed and destroy the old "competitive" system; and the prudential that saw cooperativism as combining for strength. No one person or organization adopted a position that was purely at one or the other of these poles.

Although there was tension between the two approaches, they had one key thing in common: both redefined the basic economic act of the exchange of goods. Within *laissez faire*, exchange was seen as the act of the individual trading the product of his labour for other things of value.

Within the cooperative thought of Western Canada, the primary market action became a collective act: farmers, through their cooperative organizations - be it the pool or a wheat board - acting on behalf of individuals in the exchange process. Whether, like Polanyi, one thought it morally superior to take distribution of key items out of the marketplace and vest responsibility for their distribution in some supra-personal authority, or whether one believed they should be left in the market but that producers should combine for mutual strength, there was one element held in common: one ceded, to the group, one's right to dispose of the fruits of one's labour.

This concept of the replacement of individual with corporate decision-making in the marketplace was expressed in the concept of "direct contact" with consumers. Although they were never completely clear as to how this direct selling would work, Norman Priestly, Vice President of the UFA, described it to the Stamp Commission in 1931 as compactly as anyone:

The farmers would like to sit at the bargain table with other producers of real wheat and discuss business with the people who are making their wheat into flour, with those who are making that flour into bread, those who are distributing that flour and bread, and with the consumers of bread. When such a conference is made possible, they will be able to take steps so to organize production that their returns from similar labour and expenditure of capital will not fluctuate from one year to another to the extent of several hundred percent. 57

This view of corporate economic decision making was entirely consistent with a view of human nature that saw greed, sharp practice and cold hearted self interest as products of a system, not as ineradicable components of human nature. A cooperative world could eliminate greed and self interest, and the evils of free enterprise would be ended. The market, in Priestly's words, would be replaced with "a rational system," where persons of good will would arrive at a fair price for all.

v) Harmony and conflict

REFERRING AGAIN TO THE BRIEF REVIEW of liberal economic thought in Chapter III, it will be recalled that *laissez faire* is deeply infused with the assumption that economic activity is necessarily "harmonious" in nature. As Myrdal put it, the belief that benefits accrue to all when one individual's income increases was of "almost a religious character," and led *laissez faire* thinkers to underestimate the influence of power imbalances on the distribution of wealth. "I do not believe that any class can long obtain an advantage which is not at the same time a net advantage to society,"<sup>222</sup> said Sanford Evans, publisher of *Grain Trade News*, grain trade appointee to the 1931 Stamp Royal Commission, and virulent opponent of the Pools.

However, accurately or mistakenly, farmers long felt themselves too much the hapless victims of power imbalances to believe in harmonious economic relations. Again, delving into the original documents is not so much necessary to prove that this sentiment existed, as to listen to the language in which it was expressed and how broadly the discourse was conducted. Consider then, the following selections, bearing in mind that politicians and business people outside the farm community had internalized the assumption of economic life being conducted under the rules of a mutually beneficial contract.

We can begin some years before the First War, with an article by the SGGA's Fred Green reviewing the early history of the farm movement. The article starts with the first development of the West's agricultural lands, a situation conforming to Locke's "land and labour" paradigm, but which Green saw in terms of conflict, not harmony. "The producer was not considered except insofar as he was useful in making profits," he said.<sup>29</sup>

This vision was to provide a sustaining myth for almost a quarter of a century. In 1935, Louis Brouilliette, President of the Saskatchewan Wheat Pool, told a radio audience that it was the people on Prairie farms who had made the industrial era in Canada possible, and although:

"Millions of new wealth were created ... those whose labor had created this wealth received only a meagre living."<sup>60</sup>

We have already seen how this image of the producer as powerless against the massed forces of "Special Privilege" was the basis for both the critique of wealth and the need for organization. The further matter to be stressed here is how farm leaders also used this image to portray their view of *laissez faire* as conflict-ridden. To *Scoop Shovel* editor, John Hull, for example:

Price ... is what Adam Smith said wages were, "the result of a dispute" in which the weakest loses, and the farmer will always be the weak party in the produce market until he organizes and exerts organized strength.<sup>61</sup>

Similarly, a farmer from Saltcoats, Saskatchewan, writing to the *Guide* in 1914, spoke of "the tyranny of the policy of special privileges" and the struggle for "public ownership and control of our grain from the fields to the world's markets."<sup>62</sup> And in 1920, the introductory section to the MGGGA Yearbook referred to "the industrial and economic roots of bitterness that still persist."<sup>63</sup>

Raising the level of rhetoric one notch higher, some Pool leaders began to speak of the "slave" status of the farmer - "the permanent and poorly paid drudge," as Saskatchewan Wheat Pool Vice President J.H. Wesson put it, or "the slaves of civilization," in the words of Colin Burnell of Manitoba

Pool. In the most complete development of the idea, John Hull traced the oppression of farmers through "a straight line 4000 years long [of] hardship, exploitation, indebtedness," and concluded: "Agriculture has been the slave of civilization because its very nature made it socially weak and the easy prey of the socially strong."<sup>64</sup>

These are not the words of people who perceive economic relationships to be harmonious. And the source of conflict, as farmers saw it, was clear: farmers, who were the true producers of wealth, were not permitted to keep their "fair share." On the contrary, whilst they toiled, all manner of businesses - legitimate and illegitimate - battered themselves onto their productive efforts. (See Exhibits VI-10 to VI-12<sup>65</sup>)

All of this, of course, underlay the idea that organized farmers could acquire the strength necessary to combat the injustice, and extract a "fair" price out of the marketplace. But had their goals gone no farther than this, the farm movement would have gone no farther than MacPherson's "pragmatist" and "occupational" cooperators, and cooperative enterprises would have been no more than those of the "yardstick" variety we identified earlier. Had this occurred, the farmers would not have mounted any truly fundamental challenge to *laissez faire* economic philosophy.

However, within MacPherson's "utopian" cooperative thought, higher wheat prices were but a means to an end, and the end was nothing short of the entire transformation of rural life. The broader vision entailed a belief - also of "almost a religious character" - that a cooperative world would be one wherein economic activity would be carried on harmoniously. There is, it seems, a certain irony in the situation where people so vividly aware of the presence of conflict should think such a goal possible of achievement. But then, cooperators too were among Reinhold Niebuhr's "Children of Light."

There were numerous expressions of the goal of social harmony over the years. Thus Fred Green, in 1910, in his talk at Zion Methodist Church quoted earlier:

And may we not look for a time and condition when the cause of strife between labor and capital will be removed? When divisions strikes and wars will be over? ... A time when there will be a larger production, a frictionless exchange, an equitable distribution, a well-proportioned consumption.<sup>66</sup>

And W.R. Wood, in 1920:

I dream of a time [when] the spirit of generous human goodwill shall come to be accepted and cherished as the common characteristic of our citizenship. No longer will it be possible for one class or group or interest to exploit the lives of the people. ...

[The community] will be the people's common meeting place. They will often come together to enjoy each other's company, to eat and drink together, to discuss common interests, to plan co-operative activities, to enjoy music and oratory and drama, to participate in athletic sports and intellectual contests, to ponder the great

problems of the state and the world, of morality and the great hereafter, and to offer their common homage to God.<sup>67</sup>

And Irene Parlby, who said of cooperation that it "can in time transform the world made hideous by the competitive system, into a democracy of hope, justice and happiness for all."<sup>68</sup>

The importance of these statements, and many others like them, is that it was here - in this vision of a harmonious world - that the "soul" of the movement truly lay, and the metaphor that expressed it, more than anything else, was the metaphor of "brotherhood." We have seen, in the quotations already selected, the frequency with which the word brotherhood was used by cooperators of all stripes. We also saw earlier how the terms "kingdom of God" and "brotherhood of man" featured in social gospel discourse, and how these phrases were appropriated by farm leaders during the 1917 to 1925 period when dialogue between the social gospel and reform reached its peak.

The term "soul of the movement" was used by Yates in a *Guide* article in 1917<sup>69</sup> from which the quotation at the head of this chapter was taken. The term was also used by Hull in 1921,<sup>70</sup> who identified it with justice, and by Ransom (quoted above) who said it was the commitment to a collective good - all of which can be construed as elements of the brotherhood ideal, even if they did not use the word.

The dream of cooperative harmony began to unwind when the Pools found themselves running afoul of the British consumer cooperatives, to whom the farmers' attempt to secure market control looked very much like the old capitalist monopolies squeezing the last cent from an already beleaguered working class. We shall deal with these events in more detail later, but here we have to examine one last element of the farm movement's ideology, namely the shift away from voluntary cooperativism to a compulsory marketing board - and how this shift was grounded in a rejection of the most fundamental of *laissez faire* principles: personal freedom for the individual.

When the Pools went bankrupt following the 1929 collapse, the confidence of the movement was shaken to its foundations. Voluntary pooling had failed, and one reason advanced to account for the failure was that the Pools had insufficient control of the Canadian crop.<sup>71</sup> An obvious remedy therefore, was "100 Percent Pooling," a concept which envisaged all farmers being legislated into the Pools' organization. The principal promoters of the ideas were members of the executive of the United Farmers of Canada (Saskatchewan Section), Louis Brouillette and George Williams,<sup>72</sup> and they were just as strongly opposed by A.J

McPhail and H.W. Wood, both unswerving advocates of voluntary cooperation.

The discussion on compulsion had begun during the early 1920's when farmers were agitating for reinstatement of the 1919 Canadian Wheat Board. Both Thomas Crerar and Charles Dunning, then Premier of Saskatchewan, declared themselves against a compulsory board, Dunning saying that it "violated the principles of liberty."<sup>73</sup> This, and the perception that a permanent board would have smacked too much of seeking precisely the kind of power in the marketplace that farmers had criticised for so long, were the predominant contrary arguments.

By the early 1930's however, with the economic crisis, mounting trade barriers and the rise of government intervention in agriculture around the world, the farmers were in a mood to set aside this last bastion of *laissez faire*. The arguments which allowed them to do so were set out in three important documents by John Hull.<sup>74</sup>

In the first, a *Scoop Shovel* article on the 100 Percent Pool, he began with a compact exposition of *laissez faire* theory, placing foremost its concept of individual liberty. Opponents of the idea, said Hull, claimed the right to market their grain "in the manner which I deem the most advantageous to myself," and that the compulsory pool was

"against the principles of British liberty."<sup>75</sup> It was this statement Hull set out to refute, and his logic followed four steps:

First, that capitalism had not brought the harmony and universal prosperity it promised, but was exploitative, driven by "predatory instincts," and condemned humanity to "miserable strife" and "degrading ... toil."

Second, that people had come, through a "new social conscience," to see "the duty of the state" to create a better life; accordingly, recent laws had imposed increasing constraints on individual freedom in the interests of "the good and welfare of the majority."

Third, that experience had shown how the objectives of a voluntary association like the Pool could be "defeated by a minority holding aloof," thus imposing "positive sacrifices upon the members of the co-operative;" accordingly voluntarism "requires the support of the authority" to implement the will of the majority.

Fourth, that business was being done worldwide by cartels and combinations which at one time were "predatory in purpose," but which now had the goal of "orderly production and orderly marketing."

This fourth point, after decades of virulent condemnation of business combines, was indeed a remarkable statement. Nevertheless, Hull argued that "cartels are showing the way," and cooperativism could follow, not only "systematising" trade, but eliminating profit.

But "civilization cannot wait until all men have learned to cooperate." Rather, matters had to be forced by the state, and the rights of the individual farmer set aside if and when the majority decided they wished to market their grain through a compulsory pool.

It is difficult to convey, in a few quotations, the tone of moral superiority which this article evinces, but perhaps this comment, implying as it does that Pool supporters were in some ways "ahead" of their fellow farmers, is as illustrative as any.

The second document, a brief to the Turgeon Royal Commission, repeated these arguments, but adding one of the most complete statements of Vernon Fowke's interpretation of the farmers' position, *viz.*, that many small independent producers cannot compete effectively against large buyers and suppliers.<sup>76</sup> Hull summoned evidence similar to that used by Fowke to demonstrate that supply was much more price responsive for industrial products than for agricultural

goods, and accordingly that agriculture suffered more in times of recession than industry.<sup>77</sup>

The brief made six recommendations, two of which called for centralized marketing and a minimum price.

The third document, entitled *The Case for Canadian Agriculture*, was to some extent a re-write of his 1931 article, borrowing whole paragraphs from it, but no longer referring to the "100 Percent Pool" idea. It added to Hull's train of thought a vision of liberty, not as freedom from the oppressive power of the state, but as freedom to oppress others. According to Hull, a "system of natural liberty" told business:

Produce what you like. Pay whatever wages you like to your employees, work them as many hours as you deem advisable in such conditions as you think fit. ... What you do with your own, what wages you pay, what conditions of labor you maintain, what prices you charge, and what profits you make are exclusively your own concern.<sup>78</sup>

Here Hull took the rhetorical step of implicitly equating the freedom to act with the power to enforce, while largely ignoring the moral and legal restrictions on such actions (however imperfect) and the role of competition in restraining price and profit.

vi) Summary

WE CAN SEE, THEN, that the farm movement constructed an ideology which challenged the primal assumptions of *laissez faire* in each of five areas of Chapter III except one, *viz.*, utilitarianism. The strains of thought reviewed in this and the preceding two chapters, were woven into an ideology which, while having too much in common with reform thought elsewhere to be classed as unique, nevertheless possessed its own peculiar stamp. In summary, its basic tenets were as follows:

First, whereas liberal economic theory accorded an almost unqualified approbation to the private ownership and control of wealth, the cooperative philosophy held that wealth was socially, not individually produced, that the co-existence of poverty and great wealth was morally offensive, therefore demanding a more equitable distribution, and that concentrated wealth produced power imbalances which led to injustices.

Second, cooperative thought rejected the concept of "economic man" as either an accurate, or morally acceptable, paradigm for human nature. This it did through relentlessly attacking the behaviour characteristic of economic man and the cruel and uncaring ethic of the "profit" system, embracing motives of service and self sacrifice as moral substitutes for the quest for material betterment, and

adopting the belief that, just as the "competitive" system induced and encouraged greed and acquisitiveness, so could cooperativism cause people to be motivated by the need of their fellow creatures.

Third, whereas *laissez faire* assumed society to be a contractual arrangement between naturally solitary individuals with no inherent social ties or responsibility to one another beyond the family, cooperative thought saw social relations as organic to human nature, entailing mutual responsibility for each other's well-being. There were, as we have seen, two distinct concepts embedded in this idea of community responsibility. These are encapsulated in MacPherson's "idealistic" cooperativism on the one hand, and his "occupational" and "pragmatic" cooperative thought on the other. To the pragmatists and occupationalists, the ties of mutuality were more limited, and indeed owed much to the very contractual theories of *laissez faire* which they sought to displace. They urged farmers to organize to protect their economic interests. To the idealists, the challenge to *laissez faire* was more fundamental. They argued that human beings were by nature social and cooperative and that obligations of mutual responsibility were a constituent part of human nature. These two were not always compatible, and the tension between them was never fully resolved. However, neither

were they entirely antagonistic, for the pragmatists adopted much of the idealist point of view, and cooperators of all stripes sought to make economic arrangements subservient to social obligations.

Finally, farmers also implicitly rejected the harmony theories which were so necessary to the salvation of *laissez faire* philosophy, being too keenly aware of the power of the elevator companies, the railways and the other "middlemen" who stood between the farmer and the market, to accept the concept of economic activity being conducted harmoniously. At the same time, however, the farmers postulated their own version of a harmony theory, arguing that conflict was but a by-product of a system which encouraged greed and acquisitiveness, and if one could do away with profits, an era of brotherhood would ensue wherein these motives would disappear, creating the very harmony which *laissez faire* promised but did not deliver.

vii) The negation of self-interest

BECAUSE WE WILL LATER explore the argument that the farmers fell prey to their own self-interest in ways that they were not aware of, it will be useful to emphasize here just how, in their ideological positioning, they felt self-interest was to be annulled.

To begin with, they held the belief, which Niebuhr so ably described, in the essential goodness of human nature, and they applied this belief, with little reservation, to themselves.

Certainly, the farm leaders (Henry Wise Wood being the exception) did indeed think their motives to be pure and selfless, and their writings and speeches abound with examples. "We have no selfish ends in view," but are merely fighting "for justice and humanity," said the UFA in 1919.<sup>79</sup> The Saskatchewan Grain Growers organization had to be judged on "the purity of its ideals and the soundness, fairness and reasonableness of the methods it has adopted for their attainment,"<sup>80</sup> wrote J.B. Musselman in 1918. R.C. Henders told his annual convention in 1918 that the Farmers' Platform "appeals to [the people's] genuine sense of justice - the farmers are not selfishly seeking their own interests merely."<sup>81</sup> And again a *Scoop Shovel* contributor wrote in 1925, that: "With high ideals good and true, [the Pool] is established for the betterment of mankind."<sup>82</sup>

These statements can, of course, be taken as mere rhetoric, recognized as such by their authors, to express ideals beyond human reach. But there is too little evidence to indicate that the farmers took these statements as anything but accurate indications of the breadth of their

vision, and they sound suspiciously like the pronouncements of people who thought that they were somehow above succumbing to self-interest.

It was not simply a naive faith that farmers were more honest than others that led them to believe so. They also believed it to be the necessary result of the policies which they had adopted - specifically, the Rochdale principles of distribution of profits, and democratic control.

Niebuhr's comments about Marxists and their views on communal property also tended to apply to the farmers. In common with other economic reformers of the left, they tended to think that the economic motivation of profit or wealth or private property was the only corrupting one, and that if it could be nullified, the controlling boards and executive officers of business enterprise would then unflinchingly act to the benefit of society as a whole. Theoretically, the central Rochdale principle of distribution of profits to the membership made the power of capital nugatory, and made it impossible for a small group of owners or managers to enrich themselves at the patrons' expense. The profit motive, in short, was thought not to exist in a cooperative enterprise. "Is there not a danger [with the Pool] of placing in the hands of a few men a power that can enrich the few?" asked a correspondent in "Wheat

Pool Questions Answered" in 1920. Not at all, was the reply. The pool would be a "democratic organization" within which "the net returns ... will be returned to the farmer," and while good salaries would be paid, "payment would be for services and not profit.""

The second, and by far the more important, bulwark against the abuse of self-interest was their belief in "Democracy." It was impossible, they thought, for the directors or the executive of a cooperative to act in their own interests, because of the democratic form of organization.

This is one place it is to little purpose either to cite or quote the farm leaders. The word was used, literally, everywhere. There is scarcely a single speech, article, or annual report of any farm organization, leader, board of directors, or senior officer that does not, somewhere, refer to the quest for democracy, or point out how the grain grower and cooperative movements were "democratic" in nature.

In fact, "Democracy" was one of those terms which Geertz styled as a "metaphor" for the promulgation of ideological belief, and indeed was probably the single most powerful metaphor used within the farm movement. No matter what the issue at hand, sooner or later the farmers' proposal in

relation to it would be cited as yet another example of their drive towards a "true democracy," or an "economic democracy" or a "fuller democracy." It was linked to political goals like women's suffrage and direct legislation and recall, and to economic goals of more equitable distribution of wealth. The First War, as we saw, was characterized as a battle between democracy and autocracy.

The MGGA proceedings of 1917 captured the power of the word in grain grower and cooperative discourse, even in this case causing them to question the utilitarianism they unthinkingly endorsed elsewhere:

Democracy is a word of honored and almost sacred significance in the estimation of the Grain Growers of the west. For them it is not a theory of government merely. It is the people with power in their hands living their life for the common good. Not only enacting laws and appointing officials, but stimulating and inspiring and encouraging each other in all that is helpful and worthy. It is the people enlightened and trained, animated by the purest spirit and noblest principles of our common Christianity, governing themselves not only for the highest good of the greatest number, but so that every smallest majority and every weakest and humblest individual shall have justice and the common rights of mankind. 24

It was with this vision of themselves as selfless, Rochdale style cooperative democrats that the farm leaders - and their social gospel supporters - were able to proclaim, with Rauschenbusch, that cooperatives were "saved organizations" who could enter history "with no trail of concomitant evil and no cries of protest." It was little wonder, then, that they thought that self-interest would be

conquered, and that they, their leaders and the managers of their cooperative enterprises would take "service not profit" as characterizing economic and industrial behaviour in a cooperative world.

If this ideology - and especially its goals of brotherhood and harmony - can be considered the "soul" of the movement, then the "heart" of its concern was the grain market. In succeeding chapters we will see how the farmers prosecuted their case against futures markets, but it will be useful to close this chapter with a description of the "vision" of the market as seen from the ideological assumptions of the farm leaders.

#### B. The Market

TO BEGIN WITH, the subject of attack was not solely the market mechanism, but the "competitive system" as a whole. (See Exhibit VI-13<sup>85</sup>) Nevertheless, the farmers' central focus was the grain marketing system, and they eventually adopted, as Vernon Fowke put it, "a belief - diametrically opposed to the free enterprise tenets underlying the national policy - [that] the open or competitive market, the system of freely moving prices, ought not to govern the marketing of grain."<sup>86</sup>

Farm opinion of the market can be heard at its most condensed in the hearings of the 1931 Royal Commission, and of the 1935 House of Commons committee which heard evidence on the bill which was to become the Canadian Wheat Board Act. Each of these contains prepared texts and extemporaneous replies to questions, and each examining committee had members sympathetic and hostile to both sides of the debate.

Out of the overall tapestry of complaint, the single ubiquitous thread was the "disorderly" nature of the grain market, with its unruly rushing of wheat to market by farmers in the fall of the year, immediately after harvest. This flooding of the market - "dumping", as they called it - was thought to cause a precipitous price decline which, naturally, worked to the farmers' disadvantage. Just as they had product ready for market, the price fell, and fell precisely because of the surfeit of grain which the harvest brought forth.

Poised to take advantage of this price fall, was the wily, collusive and generally undeserving speculator. Although the farmers had produced the "real" wealth, they found, battered onto their productive efforts, non-productive "middlemen" who produced nothing but who appropriated a major component of the returns. (See Exhibit

VI-14.<sup>97</sup>) Chief among these villains was the speculator, and it was even odds whether the price drop in the fall was caused by the farmers' "dumping", or by speculators' manipulation. A price rise in the spring of the year was to some extent within the natural course of events, because by then supplies of the previous year's crop were coming to an end. And it was galling to the farmers that they could not afford to hold their wheat for this invariable price rise because they had bills to pay, and were forced to part with their wheat directly at harvest. But beyond this natural, if galling, situation, were the "bear raids"<sup>98</sup> - selling sprees which sent prices tumbling - which were as often blamed for price drops as the disorderly marketing patterns of the producer. And of course, such bear raids were mounted just when the farmers had product to sell. In this way, the speculators could lay their hands on cheap wheat, and once they had it under their control, they could simply run the price up again and dispose of it at a profit. The *Western Producer*, for example, spoke of the price being "beaten down to below the cost of production, and then, when all the wheat was out of farmers' hands, the price was advanced to something like a reasonable figure."<sup>99</sup>

Behind the mechanics of the bear raid lay the fact that the workings of the laws of supply and demand were only marginally affected by stocks of physical wheat. The volume

of trading on futures markets in the course of a year was many times the volume of actual wheat available, and the surplus was seen as "wind bushels" or "paper wheat" to which the market price would respond, and which could be released at the whim of the large speculators to put the price exactly where they wanted it. If one wanted the price down, one had only to sell large volumes of this paper, thus increasing the fictitious supply, and down the price would go. If one wanted it up, buy large volumes, create a fictitious demand, and the price would respond accordingly.

The outrage over losing a major share of the crop to middlemen was exacerbated by the perception of the mechanics of the futures market as mere gambling. Enterprises like the lake shippers were bad enough (see Exhibits VI-18<sup>00</sup>), but at least the vessel owners performed a needed service. Speculators on the other hand were engaged in activities which, outside the wheat pit, would have been matters for the vice squad. Moreover, there was a continuous discussion about just who the speculators made their money from. Initially it was thought that the proceeds came out of farmers, but the Stamp Commission taught farm leaders at least that the losers in the futures market were largely other, unskilled, speculators. On learning this, however, the farmers simply shifted their attack. Instead of criticizing the system for swindling farmers, they condemned

it for fleecing ordinary people who were inveigled into "taking a flutter" in the pit.

All these manipulative shenanigans by the speculators were generally timed to coincide with the marketing patterns of farmers and the invariable spring shortage, with the result that an undue spread obtained between the price to the farmer on the one hand, and the prices of wheat to the miller, flour to the baker and bread to the consumer on the other. This spread could be - and was - quite readily engineered, with the result that the farmers were denied a fair and just portion of the selling price of their product. Whether the price was unjustly advanced against the consumer was a question that was less often addressed. But in any event, it was accepted that the spread between producer and consumer could be narrowed to the benefit of the farmer if the speculative middleman no longer stood between the two, manipulating the prices up and down and extracting the difference.

Unfortunately, the farmers found themselves hard put to document their case. Attempts to describe how futures markets were intended to work - descriptions such as the one in Chapter VII and in Royal Commission reports - were considered whitewash. In fact, there are indications that J.B. Musselman, one-time secretary of the SGGA, and later

director of the SCEC, was hounded out of the movement because a series of articles he wrote in the *Guide*, explaining futures markets, failed to be as condemnatory as some felt they should, and thus lacked ideological purity. At the SGGGA annual meeting in February of 1922, he claimed to have been "misrepresented," and "wrongly accused of opposing the ... Wheat Board" because of his attempted objectivity. In 1925, he retired from the SCEC board, citing a "campaign of misrepresentation, innuendo, and vilification" which had been carried on against him for several years.<sup>91</sup> But objective accounts like Musselman's were simply ignored. If the facts of the matter could ever be clearly brought to light, the widespread collusion and the ability of large speculators to "bear" or "bull" the market to whatever level suited their nefarious purposes would be revealed for all to see. However, the shenanigans lay concealed behind a veil of secrecy thrown up by the members of the Exchange. If only this veil could be torn aside, the truth would out, and the farmers' case would be proved.

The farmers' perception of themselves as powerless and disorganized was felt to leave them open to this manipulation. "Why is it, father," asked one American farmer when he was a boy, "that we always ask the man how much he will pay for our farm products and then when we go

to the store we always ask the storekeeper how much he wants for his goods?"<sup>92</sup> Why indeed, except that the unorganized farmer had no market power, whereas large scale industries did.

In contrast to all this stood the marketing programme developed and promoted by farm leaders during the early 1920's, and at the heart of this programme stood the concept of "orderly marketing". To begin with, orderly marketing meant an end to the flood of grain hitting the market right after harvest. Farmers, through a central marketing organization, would take control of the grain, would then feed it to the market as demand materialized and would therefore eliminate the annual fall price collapse. Speculators, who took ownership of the grain between harvest and the time it was needed for milling, would no longer be required, and so their function would be eliminated. With speculators gone, so would all their price manipulation, and the "true" value of the grain would be determined by direct negotiation between producers and consumers. Thus "direct contact" between producers and consumers was another important element of the programme.

Price would also reflect the "true" supply and demand situation, free from the fictitious bushels of "paper wheat" placed on the market by the bears, or the fictitious demand

generated by the bulls. Any price rise in the spring could be realized, because the central organization could simply hold the wheat back, and sell it to advantage during the period of spring scarcity. If the buyers tried to force the price down, the farmer, according to Saskatchewan Wheat Pool President A. J. McPhail, would simply tell the buyer, "No, we are not interested in your price today."<sup>23</sup>

Moreover, all these things would come to pass primarily because the farmers would be organized to effect it. No longer helpless individual price takers, they would by collective action control sufficient stocks of grain to influence the market, to demand a just price and to provide a pole of countervailing power against anyone who sought to influence the price to the producers' detriment.

Again illustrative of the power of literary devices in ideological activity, a surprising amount of this picture was contained in a poem published by the *Scoop Shovel* in 1925.

**HOLD ON**

By Scoop

When the price is bounding skyward, eager buyers flock around,  
And the chap who sold too early looks a fool,  
When the fellow who still has some is uncertain of his ground,  
Sit back - and thank your stars you're in the pool.  
When the other fellow's slicker  
Or you haven't time to dicker  
Nor to sit and watch the ticker  
THERE'S THE POOL

When they're flocking to the broker's with the fruit of thrifful days  
    To take a little flutter in the pit,  
All the cards they catch aren't jokers, and they listen in amaze  
    When their broker says they're broke enough to quit.  
    You can take a private tumble  
    When the airy castles crumble  
    That it's not your turn to grumble  
    **YOU'RE NOT BIT**

Each will hear of extra pence to be made all by himself  
    If he'll just forget his contract and indulge,  
But the gap in the defense that leaves his comrades on the shelf,  
    Is a matter his advisors won't divulge.  
    If we pass up pikers' pranks  
    Give the air to spies and cranks  
    Shoulder in and close the ranks  
    **WE'VE THE BULGE.**<sup>24</sup>

On rare occasions, farmers took their anti-market mentality to its logical conclusion, and enunciated a position on food like Polanyi's on land and labour, viz., that it ought not to trade in the marketplace at all. Thus in 1919, Norman Lambert, Secretary of the Canadian Council of Agriculture wrote an article in the *Guide*:

We have begun to realize that it is ... immoral, that the provision of the vital needs of the nation - food, raw material for industry, coal, communications and so forth - should be left to an immense number of private agencies, each thinking first and foremost of its own private interest.<sup>25</sup>

In 1925, Secretary Ransom condemned "gambling with the foodstuffs of the people," and said:

Bread is the staff of life, and to force up the price beyond its real value, when so many are starving, is a crime against the consumer and civilization, and to depress the prices when so many producers are on the verge of poverty, is an abomination for which we should not stand.<sup>26</sup>

As to precisely what Ransom thought the "real value" of wheat actually was, or how it might be determined, he was, as was virtually always the case when this kind of language was used, silent.

Evidently Ransom had talked to his President, because in the same issue, Colin Burnell wrote:

It is high time something was done to stop this fooling with the food of the people, this practice of playing ducks and drakes with the livelihood of the producers and the necessities of the consumers. If the gambling instinct of some men cannot be suppressed let them satisfy it in speculating in champagnes and wines, silks and perfumeries, luxuries of the rich, anything so long as they keep their hands off the necessities of the masses. That it should be in the power of any body of men to manipulate a market so as now to be hurting the producer and in the next minute the consumer; to be robbing at one time the men who have toiled to feed the world, and at another time those for whom the food has been produced, is one of the blots upon modern civilization and a crushing indictment of the competitive system.<sup>97</sup>

In all the research done for this study, nowhere in the writings of the farm leaders and pooling proponents, was there to be found a complete statement of the charges against the existing marketing system, or of the expectations of the farmers' alternative to it, such as that contained in the preceding paragraphs. Various parts of it have been distilled from the documents of the time, and perhaps the best and fullest treatment of it is found in Vernon Fowke's *National Policy and the Wheat Economy*.<sup>98</sup> But the farmers themselves, in speeches, editorials, articles and even cartoons tended to concentrate now on one and now

on another of these themes, sometimes stressing the foolishness of the farmer in his marketing patterns, sometimes cursing the wickedness of the speculator, sometimes praising the business acumen of the Pool, but never knitting all these themes together into a complete statement of what was wrong and how the farmers' programme would put it all right.

Virtually all the ideas contained in the foregoing description of the market may be found in the transcript of the 1931 Royal Commission hearings. More importantly, what also comes across from the hearings is the extent to which farmers' concerns were moral rather than economic, and the extent to which they articulated not "facts" about marketing, but an interpretive, Schumpeterian, type of "vision" of wealth and of human behaviour. This comes out with great clarity in the testimony of Norman Priestly, Vice President of the United Farmers of Alberta. Priestly was an able spokesman who did not shrink from hostile cross examination, and the Commission questioned him at great length. The prepared statement which Priestly read into the record contained a number of the elements of the preceding description, none of them substantiated, and none of which Priestly was able to amplify with facts or logical argument. However, a few selected quotes will also indicate the moral and visionary quality of his testimony:

We are not concerned here with the academic question as to whether buyers of real grain or flour millers, for instance could do without the Grain Exchange or futures market; ... We are concerned chiefly with the fact that wheat ... has become involved in a complex system, in which gambling is a prominent feature ...

Farmers in Alberta ... wish to conduct all their affairs in an intelligent and orderly manner [but] they find themselves involved in a system which is without directive mind, and which appears to function only towards confusion. ...

... there are frequently at work influences calculating the making of huge profits out of price fluctuations. \*\*

Worth noting particularly in this statement is the fact that what was "academic" to producers was precisely what the grain trade had spent almost its entire testimony explaining and defending. To them, the "academic" question was the difference between farmers holding physical wheat for a price rise, and a speculator holding a futures contract. To the farmers, the question was not academic at all, and this very matter was the subject of a page of wrangling between Exchange counsel Isaac Pitblado and Priestly. To Priestly, the difference was clear: Wheat was real and physical and had been produced by the sweat of the farmer's brow. When he held wheat, it was to await a fair price. A speculative position, on the other hand, was merely a monetary thing, held to earn a profit, and the difference changed the transaction out of recognition. It was pure "vision" from the first word to the last, on both Pitblado's and Priestly's parts, and the astounding thing is that this a *priori* moral nature of their dispute seemed to occur to

neither. Each seemed to proceed on the assumption that he was arguing a factual position.

Few of the anti-market witnesses fared as well as Priestly. For example, a Saskatchewan Pool director found himself in the following exchange with Stamp on the issue of manipulation:

Q: Is there also any idea as to how it is done? A: Simply by pressure. We have heard a rumour of markets being raided.

Q: How do they do that? A: I have no knowledge.

Q: Do you mean that a whole lot of people get together and decide to do a certain thing? A: I understand that.

Q: You think that all this appearance of competition in the pit is a mere camouflage? A: I have no way of proving it, because we have no access to information that would give the facts.

Q: You have no evidence to support that statement? A: No.<sup>100</sup>

Perhaps the farmers' credibility suffered the worst blow by the performance A.J. McAuley, President of the UFC (SS). Stamp asked him precisely what he meant by the laws of supply and demand, even allowing him the luncheon recess to get his thoughts in order. McAuley came up with what was seemingly a written statement which was totally incomprehensible. Stamp queried McAuley through four pages of testimony without succeeding in clarifying what the UFC meant. In the course of the cross examination, McAuley hinted darkly at conspiracies between "the monied interests" to take money out of circulation, and so frustrated Stamp

that he finally threw him off the stand. "I was prepared to be very much impressed by the opinion of 30,000 farmers<sup>101</sup> but I can't be impressed if I can't understand it," said Stamp.

More embarrassing - almost to the point of humiliation, given the man's stature - was Pitblado's cross examination of Saskatchewan Pool president, A.J. McPhail. Pitblado charged that some of McAuley's innuendo about conspiracies emanated from the Pool, and cited a *Reader's Digest* article by a Pool publicity official, charging that: "Skullduggery has been practiced in the markets to depreciate the value of the Pool's wheat supplies." He went on:

Q: I am going to ask, Mr. McPhail, whether you can give us any evidence of these statements put forth to the world by the publicity bureau of the Pool, of which you are president, any evidence of skullduggery referred to here? A: Personally, I could not give you any evidence of skullduggery. I don't know.

Q: And ... Mr. McPhail, ever since the Pool has been in existence, three members of yours have been members of the Winnipeg Grain Exchange, isn't that so? A: Yes.

Q: And you have had no report from any of them of any, if I will use this word, skullduggery, going on? A: No definite report.

Q: And your members are still there? A: Yes.

Q: Have they ever made any complaints to the Council of the Exchange? A: Not that I know of.

Q: Or that anyone else knows of? A: No.<sup>102</sup>

The Stamp Royal Commission was conducted in 1931, after the Pools had been trying unsuccessfully for about seven years to prove that "skullduggery" was the distinguishing

characteristic of the futures market. It was a testimony to the depth of farmers' beliefs that they could still speak as they did before Stamp despite what we shall see was an inability to find concrete evidence for their accusations. Only when the debate is seen as primarily moral, can the Proceedings of the Commission be read with anything less than amazement.

Before closing this chapter, it is worth noting one more thing. It must be appreciated that there were farmers who were NOT opposed to the futures market, and who did NOT favour board marketing. The record of these voices of dissent has been almost obscured by the intervening years, and the transcript 1931 hearings is one of the few places it still exists. A total of twenty two farmers appeared before Stamp, and of these, seven spoke in favour of the futures market, fourteen against, while the testimony of the last is confused. This tally, however, does not quite indicate the relative strength of opinion. Six of the fourteen had varying degrees of attachment to farm organizations, and simply reiterated the position of their own groups.<sup>109</sup> Of those who showed up as individual farmers, speaking on their own behalf alone, the count was seven to six against the futures market - hardly an overwhelming majority. In fact, Cecil Rice-Jones, a retired director and Vice President of UGG, argued that dissident farmers were more vocal, and did not reflect the division of broader farm opinion.

RHETORIC, REALITY AND RIGHTEOUSNESS

The Ideological Debate Between the Farm Organizations  
and the Grain Trade  
1917 - 1935

by  
Paul D. Earl

A Thesis submitted to the Faculty of Graduate Studies in  
Partial Fulfillment of the Requirements of the Degree of

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University of Manitoba  
Winnipeg, Manitoba

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## CHAPTER VII

### THE PIT

#### The Role and Function of Futures Markets

In speaking of the grain trade the public calls all dealers or merchants, speculators. How this practice originated is not clear, but it is universal in Grain Grower circles.

*J.B. Musselman*

Price or value, we must remember, is not a definite fixed thing, but is rather a market opinion, or consensus of opinion...

Much of this blanket condemnation of speculation is ... mere idle nonsense, bordering on cheap claptrap. ... The essence of speculation is risk bearing. As long as the farmer grows wheat at one place and time, and this wheat reaches the consumer's mouth at some other time and some other place, there are and always will be [speculative] risks. Speculations in wheat therefore, may be shifted or distributed or partly reduced, but never can be eliminated.

*James Boyle*

FROM APPROXIMATELY THE MIDDLE of the nineteenth century, world trade in grains - and particularly wheat - vastly expanded, necessitating new methods of handling, transporting and marketing between primary producers and final consumers. The marketing challenge was met through the development of what is known as "futures markets", a

device whose primary functions are price discovery and risk avoidance.

The events which created the need for futures markets occurred after 1846 when Britain finally repealed the Corn Laws, and opened the way to become an industrial nation. The Appendix to this study contains some limited statistical data on world wheat trade, indicating how trade expanded, and how the major trade flows developed. In summary, British imports increased tenfold, from about 450 thousand tonnes annually in the 1845-49 period to 4750 thousand tonnes annually between 1910 and 1914. The United States was a major source of these imports from about the 1870's onward, and Canada's importance grew after the turn of the century.

Britain dominated world trade before and after the First World War, and only about a third of the Canadian wheat going to Britain after the War was consumed there. But Liverpool prices basically defined the world price for wheat.

Chicago became the world's first fully developed futures market incorporating the features which are described in this chapter. The precise date when full-fledged futures trading began on the Chicago exchange is apparently open to some debate. Rees claimed that the market was organized in

1848, with the first published rules for trading appearing in 1869.<sup>1</sup> Hooker on the other hand suggested that Chicago futures trading did not begin until 1871.<sup>2</sup> On the Liverpool market, futures trading began in November of 1883.<sup>3</sup> Reflecting the borrowing of ideas, and the generally uneven development of these markets was the fact that trading in cotton on a "to arrive" basis had been going on in Liverpool, and to even greater extent in New York, as early as the 1840's, and the cotton futures were traded in the U.K. before grain futures. Indeed, Rees suggested that it was a Liverpool cotton merchant by the name of John Rew who first fully appreciated the price protective feature of futures contracts.<sup>4</sup>

The first attempt (made in 1883) to establish a market in Winnipeg failed, according to Allen Levine, because control of grain marketing had not yet passed out of the hands of eastern interests.<sup>5</sup> A second, and this time successful effort was made in 1887, and on December 7, the Winnipeg Grain and Produce Exchange opened its doors in the offices of the Board of Trade, located in City Hall. The Winnipeg market did not immediately acquire facilities for trading futures contracts and, during the 1890's, its members tried to use Chicago for price protection. In 1901, Winnipeg grain trader Frank Fowler toured a number of American exchanges to see how they operated. After three years of

study and experimentation, the Winnipeg futures market was finally opened for business at the end of January, 1904.<sup>6</sup> From these beginnings, Winnipeg grew steadily, and as the United States began to wane as a supplier to British markets, and as Canadian wheat began to assume an ever larger importance in world trade, the Winnipeg exchange became one of the world's most important pricing points.<sup>7</sup>

Like all specialized functions, futures marketing has its own arcane jargon, and its own complexities. But its essential characteristics and processes are - and were in the nineteen twenties - much simpler than is commonly supposed. However, these essentials were ill understood by many of the farmers and among the recurrent criticisms was the accusation of "mystery" that was said to surround the futures market. This arose in part because it was not always possible to know who was trading wheat, but it is also apparent that the "mystery" arose because farmers failed to inform themselves about the basic workings of futures marketing, and often expressed the most appalling ignorance of the institution which they condemned. Even at this remove one can almost feel a sense of embarrassment at the contrast between the fiery accusations of manipulation and dishonesty made to the 1931 Royal Commission, and some of the almost bumbling responses to the questions of clarification posed in cross examination.

The purpose of this chapter is to strip away some of the mystery that so befuddled the farmers in the first third of this century, and to come to some understanding of the market's essential characteristics. As will be seen, even the most basic comprehension of futures trading can expose some of the misconceptions which were held at the time. We will not conduct here an exhaustive description of futures markets, but rather we will seek to come to a basic understanding of what they are and how they work, and to address some of the concerns which farmers had about the open market. The specific matters which will be considered in this chapter are:

First: How speculation is different from gambling.

Second: Why speculators are not in the business of buying grain from farmers at low prices and disposing of it at high prices later, and why speculators make their money only out of other speculators and not out of producers and consumers.

Third: How the prices registered in these markets are fundamentally determined by the supply of, and demand for, the commodity itself, notwithstanding the very large amount of daily trading that is done by speculators, and why terms like "wind bushels" and "paper wheat" - terms which the

farmers used to imply that market prices were established by fictitious goods - are themselves misleading.

Fourth: Why for every speculative buyer of so called "paper wheat" there must be a speculative seller.

Fifth: Why there was no such thing as a fall slump in prices caused by "dumping" of farmers' wheat at harvest, and correspondingly, why withholding of grain from sale did not, except in small ways or under special circumstances, cause prices to rise.

Sixth: Why there could not be persistent spreads between markets like Winnipeg and Liverpool.

Seventh: Why it is so difficult to manipulate markets, and accordingly why things like "bear raids" - a term we will come to later - are more fiction than fact.

Eighth: How futures markets reduce, rather than increase, price fluctuations.

The best way to examine these conceptual issues is to give an account of the historical evolution of futures markets and the commercial problems they were designed to solve. Basically, these were problems of risk avoidance and price discovery. Within this context it may be readily shown that, while all the details of futures trading as it

now exists are enormously complex, the basic buying and selling transactions which take place are essentially quite simple.

It must be stressed that, despite its technical nature, this chapter is not out of place in this study of ideology. The fact is that when the cooperators and social gospellers turned their attention to the "praxis" which Strain identified, their social analysis of the grain marketing system contained serious errors of understanding. As noted in Chapter I, these misunderstandings have not been corrected by scholars of the grain movement, and there has been a broad acceptance of the accuracy of the farmers' accusations. Anyone who wishes to enter the debate about Western farm ideologies is not fully equipped to do so without an understanding of the material in this chapter and the next about how futures markets function, and how many of the farmers' charges were in error.

PRIOR TO THE DEVELOPMENT of large scale commodity trading in the nineteenth century, it was customary for merchants to buy goods at their point of production, transport or hold them to their time or place of further use, and then to sell them. Between purchase and sale, they had to cover transportation and storage costs, interest on money

invested, and a profit to provide for their own livelihood. But they also assumed a risk: the risk that the price of the commodity would fall between the point of acquisition and that of sale. In agricultural products, whose prices are highly sensitive to small changes in supply and demand, that risk was substantial.

Of course, there also existed the possibility that prices would rise. A price increase worked to the benefit of a merchant, just as a price decline worked to his disadvantage. But either way, he was put in the position not of just merchandising the product, but also of absorbing a risk of price fluctuations. This risk is unavoidable, and absorbing it is what is technically called speculation: making educated (or, if one is foolish, uneducated) guesses as to the direction that the price of a commodity will move, and making purchase and sale decisions accordingly. Moreover, as long as production and consumption are separated by either time or distance or both, it is impossible not to speculate. The farmers speculate when they plant their crops in the spring that the price at harvest will cover their production costs. They speculate again if they hold crops after harvest in expectation of a price rise. Today, when the Canadian Wheat Board sets the initial price it will pay the farmer, it speculates that the final returns will be sufficient to cover that initial price

plus its own expenses. And prior to the advent of futures markets, the merchant speculated when he bought the goods at the point of production and moved or stored them up to the next point of use.

However, such speculation was not always a situation that merchants relished, and to counter the risk of price change, they customarily built in significant spreads between their purchase and sale prices - a spread that worked to the detriment of both producers and consumers. In giving evidence to the 1931 Stamp Royal Commission, traders who had been active prior to the development of futures trading in Canada in 1904 all said that prairie producers had borne the cost of this risk directly in the spread between the price at which the wheat was disposed of overseas, and the "street price" at which it was purchased in the countryside. It was their unanimous view that the spread had narrowed after 1904.

An early and major step towards relieving merchants of this risk came with "forward selling", a procedure made possible by modern communication. Prior to the development of telegraph and wire services, merchants never knew, until their vessels arrived home, precisely what had been purchased, nor at what price. But modern communication techniques gave them a means of determining when their

vessels had left foreign ports and what they carried. This gave them the opportunity to sell cargoes on a "to arrive" basis, thus shortening the time between purchase and sale, and creating a way of avoiding some of the risks by passing them on to the buyer of the "to arrive" contract.

But although "to arrive" selling allowed the merchant to reduce the risks of price change, it did not remove the cost of risk from the spread between producer and consumer. If the person to whom he sold was, for example, a miller, the risk was simply passed on. If prices were to fall before the vessel arrived, the miller would find himself locked into a purchase of high priced raw materials. Users of the goods were just as anxious to avoid the risks of price change as were the importing merchants.

There arose therefore a third group, whom we call speculators, who purchased these "to arrive" contracts, thus obtaining ownership of goods in advance of the users' need and holding them for subsequent sale. These people - the speculators - became, in fact, professional risk managers, studying markets, examining production and consumption trends, and making informed assessments of the likely trends in commodity prices.

Already we can see the answer to the first issue raised earlier, namely the difference between speculation and

gambling. Speculation is the professional management of risk by studying the factors which cause commodity prices to fluctuate. In contrast, gambling is wagering on an event whose outcome is purely chance: cast a die, and it has equal chances of coming up a six or a one. But the chances of commodity prices rising or falling is governed by underlying forces which can be studied and understood, if not entirely mastered, and that is what speculators do.

The beginnings of futures markets are to be found in situations where these three groups became active: merchants who bought raw commodities at their place and time of origin and moved or held them for further processing; millers and manufacturers who bought raw commodities for processing into consumer goods; and speculators who bought from the former for future sale to the latter. The term "futures" trading owes its origin to these "to arrive" contracts, where the actual transfer of ownership was contracted to occur in the future rather than the present.

Of course, with only these three players active in the market, the speculative pressure was exerted only in one direction: to buy cheap from the producer and sell dear to the consumer. Before futures marketing could work to balance this speculative pressure, and to narrow the spread

between producer and consumer, a second development had to occur, viz., the emergence of a new type of speculator.

As pointed out above, millers were often reluctant to buy "to arrive" contracts, because it would expose them to risks of a price decline. However, that was not always so. They were naturally quite interested in how prices were changing, and if "to arrive" cargoes were at a particularly favourable price, or if they felt that price rises were likely in the future, they would step into the market to arrange future supplies. In the beginning, millers would buy "to arrive" cargoes from merchants, just as speculators did. But soon, just as speculators saw that they could buy a cargo without having sold it, they began to realize they could sell a cargo without having bought it. So the second type of speculator entered the market, and began to serve the interests of millers and manufacturers by agreeing to sell a specific quantity of goods at some point in the future, and undertaking to find the physical goods for future completion of their contracts. These speculators performed the same risk avoidance service for *bona fide* buyers of commodities as the first type of speculator performed for the *bona fide* sellers.

The two types of speculator came to be known respectively as "long" and "short". Those who sold commodities they did

not yet own, were "short" of the necessary goods to complete their sales; similarly, those who bought what they had not yet sold were "long" on goods, but yet to find a buyer for them. They also came to be called, respectively, "bears" and "bulls," and from this peculiar nomenclature came the term "bear raid", alleged to be a concerted selling spree by short speculators to drive down prices. Wheat Pool publicity contained frequent references to bear raids (which they were quick to blame for price drops) and, perhaps in response to this evident concern, Sir Josiah Stamp spent a good deal of time in the 1931 Royal Commission trying to find out who these bears were. The overwhelming opinion held by both traders and by other experts, was that selling sprees of sufficient magnitude to drop prices usually resulted when amateur bulls, whose buying had driven the price up, liquidated their positions.

However, we come here to a key point. A speculator who sold before buying (a short, or bear, speculator) had precisely the opposite expectation to one who bought before selling (the long, or bull, speculator). Whereas the buyer of a "to arrive" cargo hoped prices would rise, the speculator who sold for future delivery hoped that prices would fall, and that he could eventually fulfill his obligation with lower priced goods. Thus the emergence of

the short speculator, or bear, created market pressures which were precisely opposite to those which existed before.

Consider now the impact of these pressures on market behaviour and on the spread between the producer and consumer. With the advent of the long speculator, the merchant's spread was no longer the price difference between purchase from the producer and sale to the miller, but between purchase from the producer and sale into the speculative market. As long as speculation was confined to the "long" side of the market, the risk conditions which merchants had always faced - the risk of price decline - were simply passed from merchants to speculators, and the long speculator had precisely the same desire as the merchant: to buy cheap today and to sell dear tomorrow.

The short speculator performed a like function for the miller, and likewise changed the miller's spread from the price difference between sale to the baker and purchase from the merchant, to the price spread between sale to the baker and purchase from the speculator. The short seller absorbed the risk of price changes for the miller just as the long buyer absorbed it for the merchant. But with the short seller, came a new pressure on the speculative market, viz., one which pushed for high prices today and lower tomorrow.

The net effect of these developments was twofold: First, the cost of risk, previously incorporated into the spread between producer and consumer, came to be borne entirely by the speculators; second, the spread between buyers and sellers came to reflect only transportation, handling and carrying costs. Thus it was that with both bull and bear speculators in the market, and with the consequent presence of both upward and downward pressures on price, the risk portion of the spread between producers and consumers basically disappeared.

How then did the speculators make their money? They did so by making accurate assessments of future price changes. When the bulls correctly estimated a price rise, they made money, but the bears on the other side of the market lost. Conversely, if the short sellers guessed right, they won and the bulls lost. It was the wise and skilful which made their money out of the inept and the foolish, not, as farmers tended to believe, out of the primary producers. In a moment, we will follow a more concrete example through that will illustrate more directly how speculators made their money directly from each other, not from farmers.

The foregoing discussion related to markets where the goods in question had to be moved long distances in space, and thus referred to cargoes of a commodity priced "to

"arrive" from foreign ports. However, precisely the same principles applied when consumption was separated from production by time rather than by space. In fact, the earliest fully developed futures market was the Chicago grain market, from which other exchanges borrowed techniques. Here, grain had no great distance to move, but had to be held from harvest in the fall, and delivered to millers in a steady stream throughout the year. Chicago borrowed the idea of forward selling (i.e. the "to arrive" notion) from the New York cotton markets and applied it to movement in time rather than in space.

The reader who has followed the argument thus far has grasped all of the essential elements of futures marketing. There are basically four players. On the one hand are merchants with goods to sell and millers with sales of processed products on their books. These two players are known as "hedgers" and are seeking to protect themselves from price changes. On the other hand are buyers without offsetting sales and sellers without goods to sell. These two players are the speculators, and they are willing to expose themselves to price changes, hoping that they will change in their favour. It is with these players acting as has been described here that futures markets perform their risk avoidance function.

Now, the kind of one-on-one negotiation between merchants and speculators so far described seems to bear little relationship to the popular image of a futures market as a scene of wild pandemonium as hundreds of frenzied buyers and sellers in "the pit" trade millions of bushels of "fictitious" wheat. And yet what we have described is exactly what is going on in all that pandemonium. There were, however, three specific technical developments in the mechanics of futures trading which helped effect the transformation of futures trading from the individual kind of transactions described above, to the fast paced and continuous buying and selling that one can observe from the spectators' gallery of a modern commodity exchange. Moreover, these developments were important in creating circumstances wherein the very things producers feared could not occur. These were: procedures that replaced the practice of delivering goods to the speculator; the development of standard contracts; and the development of the "clearing house". We will look at each of these in turn, starting with delivery procedures.

The merchant who sold his cargo on a "to arrive" basis soon realized that he had two choices when his vessel actually arrived. He could deliver the goods to the speculator in accordance with the contract. Or he could

sell the goods directly to the miller, and "buy back" the contract with the speculator at the going price. This second procedure was much more to the speculator's liking. His sole interest was the difference between the prices at the time of purchase and at the time of sale, and he was quite happy to be relieved of the necessity of owning the physical goods and having to find a buyer.

Whether the merchant delivered the goods to the speculator, or sold the goods to the miller and bought the contract back from the speculator, he was still relieved entirely of the concern for price change. If the price of the goods had risen, the merchant would have to buy back his contract with the speculator at the higher price, but his physical goods would have likewise risen in value. If the price had fallen, he would lose money on the physical product, but would be able to buy back his contract from the speculator at a correspondingly lower price. Either way he was still unaffected by price changes, a condition which became known as being "hedged".

Just as long speculators ceased to take delivery of goods, and increasingly simply sold their contracts back to the merchants, short speculators ceased to find the goods to satisfy their obligations. They simply bought their contract back from the miller when he (the miller) found the

required goods on the cash market. But the important aspect of this new practice of buying back was that speculators on both sides of the market ceased to take actual ownership.

The second technical development was standard contracts. As speculators ceased to take, or make, deliveries of physical product, they also ceased to be interested in precisely what grade of goods lay in the seller's warehouse or vessel hold. Accordingly, it became more convenient to have the contracts between merchants and speculators written for standard amounts of standard grades. For example, by 1883 on the Liverpool market, contracts were drawn up on the basis of No. 1 Californian, No. 1 Bombay, and Kurrachee Red wheats.<sup>9</sup> In the increasingly rare instances where the speculator actually took delivery of physical product, a premium or discount would be negotiated to cover the difference in price if the actual goods delivered differed from the standard grade. Another feature of the standard contract was a fixed set of delivery months. Thus instead of each contract specifying a separate date for settlement depending on when a vessel might arrive, all contracts matured during one of an agreed set of months, called "delivery months".

The advantage of the standard grade, quantity and delivery months was that the contract then became more

widely negotiable. A speculator might buy a contract from a merchant, and then sell it to a second speculator. Because of the standard grade, the second speculator did not need to inquire into the precise details of the cargo upon which the original transaction was based.

As might be expected, the broader negotiability of the standard contract brought a new set of difficulties. To illustrate, suppose a Liverpool merchant, owning a cargo afloat of American wheat, sells a standard contract of No. 1 Californian for future delivery to speculator Smith. Assume further that Smith liquidates his position and sells the contract to a second speculator, Jones. When the cargo arrives and the merchant sells to a miller, he would have to trace the current owner of the futures contract to buy it back. As trade expanded, the contracts between merchants and long speculators, between millers and short speculators, and eventually between long and short speculators, soon grew into a bewildering array, and finding the party with whom one had consummated a deal weeks or months ago became a nightmare.

The third technical development then, which was designed to circumvent these difficulties, was the establishment of a central body, known as clearing house, to keep track of all trades, and to act as an intermediary between buyers and

sellers. The best way to illustrate both the function and the value of the clearing house is to follow the example above through its succeeding steps.

Where no clearing house exists, Smith, if he wants to liquidate, would sell his contract to Jones as we described above. But with a clearing house, rather than selling his existing contract, Smith would conclude a new contract with Jones. The prior sale with the merchant would have been recorded with the clearing house, as would the new one with Jones. Now Smith would have two contracts recorded of equal but offsetting effect - the purchase from the merchant and the sale to Jones - and would be in a position to close out these positions. If in the time between the purchase from the merchant and the sale to Jones the price of No. 1 Californian had dropped by 10 cents per bushel, Smith would pay into the clearing house the total difference in the value of his contract from the time he bought to the time he sold. Thus, if the standard quantity of a No. 1 Californian was 2000 bushels, he would pay \$200 to the clearing house. If the value had risen, the clearing house would pay him the \$200.

When the merchant's ship arrives, he would normally sell the cargo direct to a miller, and would then wish to liquidate his futures position as Smith did. To do so, he

would seek out neither Smith nor Jones, but would simply buy another contract for No. 1 Californian on the trading floor, likely from yet another party whom we will call Wilson. Similar to Smith, the merchant would record his new contract with the clearing house, would have two equal and offsetting transactions and would close out his position. To do so, he would pay into the clearing house any increase in price (or be paid any decrease) between the time he sold to Smith and bought from Wilson.

These standard contracts all matured in a fixed set of "delivery months," and when one of these months came around, all parties with outstanding contracts were required to close out their positions.

Now we said before that speculators only made money out of other speculators, and we can see why this is so by following how Jones and Wilson close out their positions.

Assume for ease of illustration that our merchant and the three speculators, Smith, Jones and Wilson, were the only people who were active in the market during this period. When the delivery month comes around then, there would be only two people remaining in the market, with what is called "open interest": Jones, a long speculator, who has a purchase contract he concluded with Jones obliging him to accept delivery of 2000 bushels of No 1 Californian wheat;

and Wilson, a short speculator, whose contract with the merchant obliges him to deliver 2000 bushels of wheat. To close out their positions, Jones and Wilson would go into the pit to conclude offsetting deals as Smith and the merchant did before them. As no one else would be left in the market at that time, and they would find each other, Jones seeking to sell, and Wilson seeking to buy, and would be required to strike a deal between themselves. When they record their deal with the clearing house each would then have offsetting purchases and sales and would be able to close out their positions.

It is the last stage of these proceedings which now illustrates why speculators make money from each other, not from farmers. Let us suppose that Jones and Wilson concluded their earlier contracts with Smith and the merchant respectively, at the same price, but the price had since fallen a further ten cents per bushel. When they conclude their final deal, Jones will have lost; Wilson will have gained, and his gain would precisely equal Jones' loss. Jones would pay the clearing house the extent of his loss, and the clearing house in turn would pay Wilson the extent of his gain. But Wilson's gain would come ONLY from Jones; not from the merchant; not from the farmers; not from the consumers or millers.

Now there is a second way of closing out one's position, and it is important to our argument to understand it. To illustrate, suppose Jones, instead of taking a loss on his contract, decides to take possession of the physical wheat. In this case, instead of going into the pit to close out his deal, Jones would simply wait for the goods to be delivered under the contract. Wilson would seek in vain for a buyer for his contract; there is no one else, in our simple scenario, who has an open interest to close out. Accordingly, he would have to find goods to deliver against his contract. In practice, he would have to find a merchant with wheat to sell, buy it from him, and give the clearing house a warehouse receipt stating that he owns the goods in question in such and such an elevator. The clearing house would then deliver the same warehouse receipt to Jones, who would become the owner of the goods. Both positions would then be closed out, only with a warehouse receipt instead of cash flowing through the clearing house. Note that losses and gains would be the same as they were under the cash deal. Wilson would make his gain by buying cash wheat at a price lower than the price at which he had previously agreed to deliver it; Jones' loss would come in the form of physical stocks with a lower value than he had paid for them.

It takes some reflection to follow the workings of a clearing house, but it is important to do so if one is to address some of the misunderstandings of farmers in their criticisms of futures markets. Two things should be clear by now: One, that speculation removes the costs arising from the risk of price change from both buyers and sellers of physical goods, and thus removes these costs from the spread between producer and consumer. Two, that speculators make money out of each other, not out the producers and consumers.

However, one other point should also be emphasized, and it flows from the case where Jones decided to take delivery of physical wheat. Because speculators ever more rarely actually took possession of goods, the operation of futures markets became increasingly divorced from the actual movement of the commodity - divorced that is except in this one critical respect, viz., that the actual delivery of goods against a futures contract always remained a real possibility. This feature of the market is referred to as "the threat of delivery" and is absolutely crucial for keeping the prices of futures contracts in line with the prices at which the commodity itself was actually trading.

This of course brings us to the other function of futures markets, viz., price discovery. Did these markets provide

an effective means for discovering the price at which wheat should trade? To begin with, institutions in general will do what their users expect, and everyone who used these markets - merchants, millers and speculators alike - believed fundamentally that they registered price in accordance with supply and demand. With all players - as long as they were acting with integrity - making their buying and selling decisions on this basis, that is exactly what these markets will do. Players who act contrary to this basic understanding will suffer adverse consequences. The speculator who bids too high, finds merchants eager to sell him their grain, which he must subsequently dispose of at a loss. The one who bids too low - who stages a "bear raid" - finds millers eager to buy, and eventually must produce the goods at the price he offered, and again, to do so at a loss.

Moreover, as wheat became a world commodity, futures markets around the world became interconnected through a special class of speculators called "spreaders." These people followed prices in various markets around the world, and operated in them all. If prices in Liverpool rose above Winnipeg by more than transportation and carrying costs, spreaders would sell futures in Liverpool and buy them Winnipeg, recognizing that either Liverpool must fall or Winnipeg must rise. Which, they did not care; but when the

markets realigned, they would win. And of course, the very actions they took served to bring about the realignment they expected, the selling pressure bringing Liverpool down, and buying bringing Winnipeg up.

The thousands of bids and offers and consummated deals served to establish prices at every minute and hour that the exchanges were open, and every deal was made in the belief that it represented the "true" supply and demand situation for that market at that time. The system was so constructed, as we have tried to make clear, that anyone who operated outside these assumptions, anyone who tried "to beat the market" by making a deal that was higher or lower than the price that reflected "true" supply and demand, suffered in some way from his presumption.

It was upon this line of argument that the defenders of futures markets based their defense of the markets' price discovering ability.

We are now in a position to evaluate the "wind bushel" argument. This theory began with the observation that the volume of futures trading on the Exchange far exceeded the volume of goods actually produced. The disparaging terms "paper wheat" and "wind bushels" expressed this apparent lack of reasonable relationship between the activities in the pit and the quantity of wheat sold in the cash market.

Farmers felt that because of the discrepancy, wheat prices were determined not by the supply and demand for the product itself, but by the supply and demand for futures. This view was put by a number of farmer representatives before the Stamp Commission in 1931, probably with greatest force by A.J. McCauley, President of the United Farmers of Canada, Saskatchewan Section. He read into the record a resolution passed at this organization's convention calling for an end to futures trading, because, said the preamble, although price was supposed to be set in accordance with supply and demand, "the flooding of the market with fictitious grain (that is grain that does not exist) must nullify said law of supply and demand."<sup>9</sup>

McCauley and his organization did not originate this idea. In 1925, Colin Burnell, President of the Manitoba Pool, wrote that: "Upholders of the competitive system make a lot of play with the 'law of supply and demand,' but they forget that speculation creates both an artificial demand and an artificial supply to suit the whims of speculators."<sup>10</sup> Through this artifice, thought Burnell and his fellows, the price could be artificially run up or down to a level out of line with the proper price of the product. To Fowke, the "central criticism" of the open market was that prices paid to farmers were "largely at the mercy of the speculator and of speculative activity" because "the

supply of and demand for futures for speculative purposes were independent of wheat movements [and were] determined exclusively by the decisions of speculators whose sole concern was the maximization of speculative profits."<sup>11</sup>

Fowke very ably explicated the "wind bushel" theory of farmers, connecting it with notion of seasonal depression of prices. The heavy deliveries of grain at harvest, he said,

appeared to create a perfect opportunity for the speculator to profit at the expense of the producer. If there were no speculative support in the futures market during these months, the price of futures, and the price of wheat as well, would obviously decline severely. Under these circumstances the speculative groups would have nothing to gain by buying futures in amounts adequate to maintain the market and, indeed, much to gain from refusing to do so. The farther down the various prices were permitted to sag under hedging pressure, the cheaper both cash wheat and futures could be to purchase and the more certain it would be that they could be disposed of later in the crop year at an attractive speculative profit.

Furthermore, it was argued, passive refusal to support the market was not the only possibility open to the speculator. The open market permitted "short" sales, the sale of grain by persons who had no grain and no intention of making delivery. The speculator did not need to stand idly by to watch wheat prices fall under the weight of hedging pressure, but would have every incentive and opportunity to add to that pressure by selling short ... Growers have never been convinced that this "phantom wheat", these "wind bushels", freely at the disposal of the futures speculator were not used effectively as a means of depressing the price of wheat and other grains to unreasonably low levels in the autumn months, during which western farmers have of necessity sold the bulk of their ... product.<sup>12</sup>

Was there any substance at all to the wind bushel argument?

To begin with, producers were quite right that the volume of futures trading far exceeded the volume of physical wheat. By how much was always a matter of some controversy, and little precision. Unfortunately, Winnipeg did not keep nor publish these statistics for many years, but Levine cited figures from Exchange records for the 1930's and early 1940's which show the annual volumes traded ranging between 9 and 46 times the volumes grown. Such statistics were published in the United States and the figures were even higher. Sir Josiah Stamp, during the conduct of his Commission in 1931 cited a figure of 90.<sup>13</sup>

However, the "wind bushel" arguments rested upon three fundamental misunderstandings about the construction and operation of futures markets: One, the fact that even the most basic speculative market generated more trades than there was wheat, without speculation taking on a life of its own. Two, that, unlike physical wheat, futures contracts required both a buyer and seller before they acquired any reality. Three, that the producers' best protection from the fall slump which they suspected and feared lay precisely in the fact that the volume of trading did exceed production by many multiples.

To demonstrate why numerous trades were required just to move the wheat from the farmer to the miller, consider the

simple model of early futures markets developed above. Once the speculative market in "to arrive" contracts reached the point where merchants bought back their contracts rather than delivering the physical product, the volume in the speculative market was double the volume of wheat, because every cargo had to be bought and sold twice: once to hedge the unsold wheat, and once to lift the hedge after it was sold to the miller. Twice the volume of physical wheat is therefore the barest minimum number of transactions for even a primitive speculative market to exist. Once millers began to use the speculative market for hedging purposes, the volume in the speculative market rose to approximately four times the volume of physical wheat, and still every speculative purchase or sale would represent only an offsetting hedge by a merchant or miller. In Canada, grain typically passed through at least two, and sometimes three or four sets of hands before it disappeared into a mill or a vessel: for example, from the country elevator operator, to the shipper who took it down the Great Lakes to seaboard, to the exporter who put it on a vessel. Each of these would, like our merchant, be in and out of the market at least twice during the period when the grain was in his possession, and each owner added a multiple of two to the volume of futures trading without creating any fictitious supply or demand.

Josiah Stamp spent a considerable amount of time during his hearings trying to come to some estimate of the number times futures trading might exceed physical movement before it could be said that speculation had expanded beyond the needs of the hedging participants. He never found a precise answer, but figures in the range of nine to twelve times were not uncommonly mentioned during testimony.

Even if a multiple of twelve was required to provide for the needs of legitimate hedgers, there was clearly still a large volume of purely speculative trade which seemed to overshadow the volume of production. But here we come to the second point of misunderstanding in the wind bushel theory, and it is perhaps the most important.

It was true that there was nothing to prevent any speculator from offering for sale any volume of wheat he wished, and at any discount he wished. It is also true that a large volume offered at a low price would depress the futures price. But these offerings differed very markedly from a surplus of physical product in one key respect, viz. that the offering had no reality until taken up by a buyer. It was unneeded physical wheat which depressed price - wheat that could not be absorbed in consumption. But there was no such thing as an unwanted futures contract. To become a contract, someone had to buy it. Moreover, in concluding

the contract at a depressed price, the short speculator committed himself either to supplying the goods at the price agreed to, or to buying his way out of the contract as was described earlier. There was no possibility of the speculator simply offering large quantities for sale, depressing the price, and then walking away from the consequence of his actions; the buyer on the other side of the transaction could demand completion of the contract. Moreover, either in delivering the goods, or in buying his way out, the speculator created a force in the market of equal magnitude, but of precisely the opposite effect of his original sale.

To say that a futures contract meant both a purchase and sale seems a trivial and obvious point to have to make in the light of our previous discussion. But it is clear from the quotations from Burnell and McCauley, that either the point or its implications were not grasped. The question of buyers balancing sellers formed a kind of *leit motif* during the hearings of the Stamp Commission, and there was no more astounding testimony on the matter than that of George Langley. Langley had been a vice president of the Saskatchewan Cooperative Elevator Company and a member of two Royal Commissions, and was therefore presumably a knowledgeable person about the workings of the industry.

But during his testimony, he made the following extraordinary statement:

I remember now that a member of the Exchange told me that for every seller there was a buyer. Mr. Chairman, I have never believed it. I believe there is an arrangement by which operators on the Exchange can sell without having a buyer. I have held that opinion for many years.<sup>14</sup>

Langley had had a distinguished career, and at the time of the Stamp inquiry was retired from the industry, but was still farming, was a Pool contract holder, and a member of Mr. McCauley's United Farmers organization. But neither he - nor anyone else - ever presented the least shred of evidence to support such a claim, nor any theory as to how such a system would work. The statement stands rather more as a testimony to the power of the farmers' belief that speculators could sow "wind bushels" as if they were a second crop of wheat than it does as a credible charge against the market. The fact was that unsold futures offerings did not, and could not affect price; unlike unsold wheat, unsold futures were absolutely meaningless. Concluded futures contracts between speculators were a different matter, for a concluded contract represented a speculative buyer on one side who wanted prices to rise, and speculative seller on the other who wanted them to fall.

The only way a short seller could hope to profit by the creation of fictitious supply was to sell massively, thereby

creating a "bear psychology" in the market which overwhelmed his own influence, and then buy out when the market was at the bottom. But this simple minded game was one that all market traders were on to. Moreover, as soon as an unwarranted price drop occurred, there were a few hundred or thousand keen eyed bulls in the market - some just as big and powerful and clever as the perpetrator of such a scheme - ready to take advantage of the drop by offering to buy and thus undoing the work of the scheming bear.

The other implicit element of the producers' theories about futures markets which is relevant here is the notion that sufficient numbers of speculators had the same motivations and would conspire, as Fowke's description implied, to influence the market price. He pictured them as collectively lying back when harvest was underway, and even selling short to depress price. The magnitude of the conspiracy required, among persons who, by the farmers' own testimony, were normally secretive and competitive in their business, is mind boggling. It would have required conspirators to combine not only in Winnipeg, but, because of the linkages between markets and the activities of "spreaders" referred to earlier, world wide. On the other side of the market, to take up the offerings of this enormous combination, there would have had to be a vast horde of ignorant and foolish souls who would be induced,

year after year, to buy and sell at appropriate times and at great loss, to fulfill the speculators' ambitions in this transparent little game.

There was, of course, an element of truth in the farmers' picture. Money was lost by amateurs who had no business speculating. Money was lost, too, by would-be speculators who tried the business out, and found they did not have the skills or nerve for the job. A bull market brought the inexpert into the futures market, just as it does into the stock market today, and innocent people got hurt. But the picture of conspiring speculators who could put the market where they wanted it, and who acted with sufficient common purpose to depress the market in the fall, acquire cheap wheat from farmers, and make windfall profits was wrong. Likewise, the picture of hordes of innocents being fleeced, year after year, was wrong. The market did not work that way. Speculators were always assessing prices in relation to actual supply, and even Dr. J.W.T. Duvel, Administrator of the United States Grain Futures Act, who was quite sympathetic to producers' beliefs about market manipulation, concluded in his testimony to Stamp that: "You cannot get very far away from supply and demand."<sup>15</sup>

The third and last misunderstanding inhering in the wind bushel theory was a failure to grasp that the farmers'

greatest protection from manipulation lay precisely in the extreme levels of speculation. We can deal with this briefly because it entails repeating things that have already been said. The growth in futures trading meant that there were always speculators on both sides of the market with opposite goals and expectations. Even in the fall, when the movement of physical wheat to market was at its highest levels, there had to be speculators on both sides of the market: bulls who expected prices to rise and bears who expected them to fall. In fact, had the futures market served only the needs of hedgers, and had the allegedly superfluous speculation in "paper wheat" been abolished, the very condition which such abolition sought to cure would have been created. If speculation truly had been limited to meeting the needs of hedging, speculators would have performed only the simple and original role of holding grain from time of production to time of use, and would have had only the motivations ascribed to them: to bear down the price in the fall as grain came to market and to bull it up again as it moved to consumption. It was precisely the rise in volume to many multiples of the volume of physical wheat that kept speculative pressures acting in both directions at all times.

With the "wind bushel" argument dealt with, it is a good deal easier to address the second major element of the

farmers' view, viz., that prices were depressed in the fall with wheat flooding to market in excess of demand, and elevated in the spring when supplies became short. Later, we shall consider some empirical evidence on this charge, but at the moment we are concerned with addressing its theoretical aspects.

The element of truth underlying belief in the seasonal spread was that prices did indeed tend to be higher in the spring than the fall. The higher price reflected the fact that the majority of the world's wheat crop was produced in the northern hemisphere and harvested in the five months from June to October, whereas it was consumed in a roughly even flow over the year. Storage and interest costs were incurred in holding it from one season to the next, with the result that prices tended to peak in May, and drop as new crop, free of carrying charges, came to market. However, we are now in a position to see how the effect of a fully operating futures market was actually to reduce the spring-fall price spread to reflect only these carrying charges and nothing else.

In the Winnipeg market in September, as the harvest was underway, the Exchange would have listed wheat prices for four future delivery months: October, November, December and May, and grain merchants, millers and speculators would have

been actively buying and selling contracts for future completion in all four. If May prices were unduly elevated above the fall months - i.e., if they exceeded carrying charges - this would immediately have triggered sales of the more pricey May contracts, and purchases of the cheaper fall wheat. These transactions would themselves have the effect of bringing the two prices together, and would have continued until the two prices reflected only the intervening charges.

The Food Research Institute at Stanford University dealt with this issue both theoretically and empirically in 1929, noting producers' beliefs "that this price dip in the early months of the new wheat year is exaggerated by speculation." There was, it concluded, no basis for the charge, either in theory or practice. Referencing work done by the Institute earlier in 1929 (which we shall consider in more detail later) the paper concluded flatly:

As a straight transaction it is not routinely possible to buy wheat after harvest, hedged or unhedged, and sell the identical wheat in May at a profit.<sup>16</sup>

This view was corroborated in a paper by Sidney Gambell, a British economist who was quite antagonistic to the Canadian Pools, making reference to price data on the Liverpool market:

There is in existence a chart of the price of good imported wheat at Liverpool month by month since the year 1862. If you will

examine the thirty-nine years before the [First World] war, you will find that the May price was higher than the November price in nineteen years, and actually lower in twenty years. So far from there being a post-harvest depression there was actually a slight tendency to spring depression. ... Clearly, in the individual countries, there would have to be some tendency for prices immediately before the new crop became available to rule higher than immediately after, because otherwise nobody would be able to pay the costs of insuring, storing and financing grain throughout the year.<sup>17</sup>

However, rather than fanciful theories about combination and manipulation, Gampbell quite rightly referred to the same factors identified by the Stanford study as those responsible for the post-May decline in prices:

The fallacy so strenuously advocated rests upon an entire misconception of the factors which influence the wheat market. The physical volume of receipts at country elevators is one of the least important factors in the wheat market. ... Heavy receipts come from a heavy crop. In the case of Canada, a heavy crop is ensured by a good summer rainfall. The wheat market would react to that heaviness not in October/November, when the heavy receipts come in, but in June when the heavy rainfall reports came in.<sup>18</sup>

Traders and speculators honed their skills and procedures for taking advantage of price shifts to a keen edge, and watched world markets like hawks for price shifts which could enhance or prejudice their positions, with the result that the smallest of price movements would trigger countervailing transactions. Moreover, the prices were constantly registering the assessments of hundreds of knowledgeable people around the world, constantly bringing information into the marketplace. It was this constant flow of information, and constant pressure of countervailing forces, which reduced price fluctuations to the minimum. In

theory, and to a much greater extent than producers ever granted, only those forces which traders believed would truly change supply and demand would move prices to any great extent. The farmers had a notion that a centralized selling body could sit dispassionately by, drawing information from all over the world, and making informed, rational, pricing decisions. But how some body of agents could gather, digest, and act on, the vast body of information which affected Liverpool, Chicago, Winnipeg and Buenos Aries, was never clearly expressed.

PART OF THE DIFFICULTY in assessing the producers' views on futures markets is the lack of any coherently argued theory, or any data, which suggest that these views corresponded with reality. Scholars like Fowke, who was sympathetic, trod very gingerly around the issues, stating what farmers believed, but not evaluating it against what was known of the character and behaviour of the open market.

As we saw in previous chapters, the producers' views sprang from a set of ideological, moral and religious perspectives which differed from those of the supporters of the market. Their position was entirely defensible within the parameters of those perspectives. If one rejects nineteenth century *laissez faire* economics, it was, and is, entirely supportable to say that the price received by the

farmer ought not to be governed by the open market. Indeed, governments around the world have acted, and continue to act, to protect their agricultural industries from unfettered open market forces. But ideological perspective can only highlight different aspects of what in reality exists; it cannot give things qualities which they do not possess, and that is where the defenders of centralized marketing ran into trouble. They tried to argue their case on the same ideological premises as their adversaries, and so had to argue the superiority of centralized marketing on the criteria by which the open market judged itself: efficiency of price discovery and risk avoidance. This was exceedingly difficult to do, and so they trapped themselves into rhetorical excess, arguing that the market did not do what it was supposed to do, that it was subject to manipulation, and that it was operated by scoundrels. However, their case did not have to depend upon impugning the moral rectitude of grain traders, or upon sustaining beliefs, borne of ignorance, about the nature and behaviour of futures markets.

In this chapter, we have tried to clear the ground of theoretical misunderstanding so that we can clearly see operation of the creature that was its subject of such virulent criticisms. In the next chapter, we turn to more

specific matters that were the subject of direct confrontation with grain trade representatives.

## CHAPTER VIII

### THE FIGHT WITH THE DEVIL

#### The Technical Grounds of Debate

The pool appears to be the only organization that can go in and change the trend of the market ... But we must fight the devil with his own weapons.

*A.J. McPhail*

The monopolistic power of a national wheat-growers' association would be employed to raise the price of wheat. That is the prime purpose of the organization, and there is no purpose in cavilling at that.

*Alonzo Taylor*

The Pool does not attempt to obtain monopoly prices.

*Saskatchewan Cooperative Wheat Producers*

THE FARM LEADERS OF THE 1920's and '30's did not stop at the formulation of an ideology about how the economic order ought to be structured. Beginning with the formation of the three Prairie Wheat Pools in 1923 - 24, thought and deed were brought together, and by 1935 the structure of the western grain trade had been transformed from one that was largely under private ownership and control to one that was predominantly owned and operated by cooperative and state enterprises.

Taking matters into their own hands was not a new role for western farmers. Instruments of change had been created before in the Territorial Grain Growers Association in 1902,

the Grain Growers Grain Company in 1906 and the Saskatchewan Cooperative Elevator Company in 1911. But, by 1923, significant numbers of the farm population thought that these institutions were no longer adequate to serve their needs, and under the impetus of ideas discussed in the Chapter VI, they once again undertook to build new organizations to safeguard their interests. These new institutions were, of course, the three provincial Pool organizations in the mid- 1920's, and the Canadian Wheat Board in 1935.

With the ideological debate thus engaged not just on the level of ideas, but "in the field" as well, farmers were required to be very specific about both the shortcomings of the existing system, and the remedies they proposed. They had to define, in detail, how they found the existing system of grain marketing to be deficient and how they planned to reform it. They had to determine precisely how their reforms were to work, and ultimately, they had to present the operating results of their endeavours as being demonstrably superior to the old ways.

It is the purpose of this chapter to examine how the farmers conducted their debate with the trade at this very pragmatic level. Here will be described the specific charges levelled against the grain trade, how those charges

were argued and what evidence was adduced to support them. To do this, four specific issues have been selected for examination, viz.: (1) orderly marketing; (2) the charge that spring prices were unduly higher than fall prices; (3) the allegedly excessive spread that existed between Liverpool and Winnipeg prices; and, (4) the claim that Pool farmers received higher prices than non-Pool farmers over the five years that the two systems operated side by side. These were without doubt four of the most important issues around which the pro- and anti-open market debate swirled.

It must be said at the outset that "orderly marketing" is of an entirely different category than the three pricing issues. The phrase itself was a slogan - a metaphor - developed in the U.S., appropriated by the Canadian pooling movement, and used in the manner Geertz described. Nevertheless, we will consider it in this chapter because the Pools seemed not to recognize or acknowledge its metaphorical nature, and insisted on treating it as a literal description of their marketing programme. These literal interpretations, in common with their statements about the three pricing issues, may be subjected to empirical assessment.

The linkage between orderly marketing and price was well expressed by Saskatchewan Pool President McPhail to the

Canadian Club in Ottawa in 1928. "The basic policy of the Pool, he said, "was a reasonably profitable price for wheat. The main objective was to stabilize the price ... at a level that would compare favourably with the price level of other essential commodities which the farmer had to buy."<sup>1</sup> And their demand for "orderly marketing" was interwoven with price claims which established a climate of expectation within the farm community as to what the programme could achieve. Henry Wise Wood, speaking before the House of Commons Agricultural Committee in 1922, "expressed the opinion that the wheat board would add \$25,000,000 to the farmers' income by handling this year's product." This, said the *United Farmers of Alberta*, the official organ of Wood's organization, was equivalent to ten cents per bushel.<sup>2</sup>

Wood's pre-Pool claim was repeatedly echoed in the early years of the Pool experiment. For example: Colin Burnell, speaking of the success of the Alberta Wheat in 1923 said that "contract holders would receive nearly 20 cents per bushel in excess of the price paid to non-contract holders."<sup>3</sup> Wood again, on a speaking tour of Manitoba in support of the Pool in 1924, claimed "Western Canada ... could through intelligent selling get at least twenty five cents more per bushel."<sup>4</sup> John Stoneman, President of the Farmers Union of Canada in 1925 said that "the Pool was

responsible last year for at least 50 cents a bushel improvement on the price the farmer received for his grain."<sup>5</sup> And the *Scoop Shovel* in 1925 editorialized that "it is well within the mark to say that the Pools have made easily 25 cents per bushel more for both the Pool and non-Pool farmer on the wheat crop of the last two years."<sup>6</sup>

In examining the debate at this concrete level, we will consider some very specific questions about the Pool claims. What real content did the Pools attempt to inject into the concept of orderly marketing, and did they succeed? Was the gap between spring and fall prices narrowed? Was the Liverpool-Winnipeg price spread narrowed? What do the data show? We will examine some empirical data to judge these matters, and in so doing, we shall run straight into some of the philosophical issues which were raised in Chapter II, viz., the degree to which ideological statements are susceptible of verification, and the degree to which economic questions are objective and scientific. As Dobb and Schumpeter observed, empirical facts can be seen differently depending upon what is placed in light and what in shadow; but we shall also find that some of the agrarian beliefs were false, and cannot be redeemed by ideological apologetics. What they thought and how they argued were, purely and simply, erroneous.

And the place to begin is with orderly marketing.

A. ORDERLY MARKETING

i) The producers' argument

THE CONCEPT OF ORDERLY MARKETING has its origin in the United States, although precisely where and when the term arose is not entirely clear. James Shideler claimed that orderly marketing "became a great goal of [wartime Food Administrator Herbert] Hoover's public career, and the lesson of the [First World] war helped spread the idea through agriculture, making it one of the farmers' favorite reform ambitions."<sup>7</sup>

A perceptive contemporary view from abroad of the origins of orderly marketing may be found in *The Agricultural Crisis*, by English scholar R. Enfield, who identified as its distinguishing characteristics the three essential components of the marketing programmes of the Californian cooperatives in the early part of the century, viz., centralized selling, binding contracts, and pooling of the returns from sales. He traced these ideas to orange growers' cooperatives which developed between 1877 and 1890. The local coops later federated into larger units, and in

1905, these larger district units formed The California Fruit Growers' Exchange which acted as a central marketing body for all oranges produced in the state. Upon this body, said Enfield, "falls the task of controlling distribution, of preventing congestion, and thus of securing to the grower what is the real achievement of this organization - a stabilized market."<sup>2</sup>

The binding contract evolved out of the need for self protection. Private traders "endeavoured to tempt producers out of the organization by temporarily offering higher prices." If Exhibit VIII-1 is any evidence, this certainly seems to have been a problem faced by the Pools.<sup>3</sup>

The "real significance" of the pooling principle, said Enfield, lay in its success at controlling price fluctuations. Of course, Enfield's comment is true from the farmers' point of view, since pooling insulated the farmer entirely from price fluctuations within each year. If the central body also happened to enjoy a monopoly position, it could provide even greater benefits simply by withholding product and forcing up price.

It was the price depression of the early 1920's which turned farmers' attention across the United States and Canada to the Californian experiment. Said Enfield:

Farmers who were impoverished by the general fall in prices, were compelled to pay more attention to the circumstances attending the distribution of farm produce than had previously been the case. In unorganized marketing they perceived a definite source of loss, and in what is now called "orderly marketing," the remedy.<sup>10</sup>

However, the lessons of the Californians were not spread by the scholarly texts like Enfield's. Rather, a prophetic voice was necessary, and it was the voice of a Californian who had come onto the scene just as the orange growers' ideas were being extended to other commodities. Aaron Sapiro graduated from the University of California Law School in 1911, and went to work for the California State Market Commission. The Commission was active in promoting centralized marketing of specific commodities by cooperatives throughout California, based on models developed in Denmark.

Sapiro proved to be a brilliant organizer, but his talents extended far beyond that; he was also "a spellbinder with a mellifluous voice" who "gave the farmers enthusiasm and confidence."<sup>11</sup> Whether from inner conviction, or because his enthusiasm netted him "fees as high as \$30,000 for organizing large cooperatives,"<sup>12</sup> Sapiro put his considerable talents to spreading "the gospel of orderly marketing"<sup>13</sup> throughout North America. He was a skilled rhetorician, with the ability to coin memorable phrases: "Stop dumping and substitute merchandising."

"Either it is a long term contract with your fellow grower, or it is life sentence to the speculator. You take the choice." "When will you learn you are not dealing with wheat? What you are dealing with is human lives." "Get wise! Organize!" These and much more like them can be found peppered through accounts of Sapiro's speeches, as he whipped up support for the cooperative ideal.<sup>14</sup>

In no small measure through Sapiro's oratory, "orderly marketing" became the slogan which the Pools adopted for their own and under this rubric, developed their marketing programmes. But what, precisely, did they mean? Combining for market power and sharing the spoils was not unknown to farmers in Western Canada. As we saw, they had been condemning it for years in others, and the rather sophisticated arguments of John Hull in its favour (Chapter VI) had not yet been made when they began to use the term. How did they turn this phrase, whose meaning embodied - but was by no means exhausted by - the three components of the Californian programme, into such a compelling concept?

It is no easy task to define precisely what Canadian farm leaders meant by "orderly marketing." In fact it was, as Vernon Fowke put it many years later, "one of the most elusive and most difficult of definition to be encountered in a study of co-operative marketing."<sup>15</sup> This of course was

because it was first and foremost a metaphor and a slogan, and therefore had ramifications far beyond any literal interpretation which can be ascribed to it. Accordingly, it will be useful to start with the imprecise propaganda, rather than the more measured attempts at definition, and the most effective propaganda pieces were the cartoons that illustrated the differences between the old and new ways. Exhibits VIII - 2 to VIII - 5 are typical: on the one hand danger, caprice, manipulation, dishonesty, hucksterism; on the other, security, stability, comfort and integrity.<sup>16</sup> To be sure, not all these cartoons were linked directly with the term orderly marketing, either in the captions or the surrounding text; but "orderly marketing" was the term used time and again to characterize the marketing operations of the Pool, and these cartoons conveyed the essence of the message with a precision and fervour that could not be attained in measured prose - performed, in fact, precisely those functions which Geertz ascribed to metaphor and other literary devices in promulgating a new ideology.

In contrast to orderly marketing, the disorderly nature of the open market was thought to be well illustrated by the excited activities in the pit of the Grain Exchange, and the Pool press delighted in descriptions of those activities given by persons who did not understand what was going on. For example, in his September 1925 column in the Scoop

Shovel, Manitoba Pool President Colin Burnell reported the following statement, made by a visiting British journalist:

"In Winnipeg, we saw the great wheat pit with men barking like dogs and roaring like bulls in a most undignified and excited manner selling some of your grain. Apparently in this province you have got over the idea that your grain has to be sold by the savage and inhuman procedure we witnessed in Winnipeg."

The President of the Grain Exchange commented that the journalist "does not know what he is talking about," but to Burnell, he knew very well and was merely recording "the impression received by nine out of every ten who visit the Grain Exchange" to observe the market's methods of operation - methods which to Burnell were not "rational or dignified."<sup>17</sup>

A similar article appeared in 1928, this time describing the reaction of a party of school children from Britain, who were "puzzled and amused" by the "noise, clamor and general uproar." Of course, said the *Scoop Shovel*, all these "ridiculous antics" were entirely unnecessary. Wheat was being sold every day in a calm and dignified way by the Pool. "But then the Wheat Pool isn't one of the 'sights' of Winnipeg; that is the difference between the Pool and the pit."<sup>18</sup>

When it came to giving some real content to the term orderly marketing, it was no easier for the Pools to describe what they had in mind than it was for Fowke years

later to ferret it out from their descriptions. In fact, it is no exaggeration to say that when they did try to define what they meant, they became tautological, imprecise and trivial. The Saskatchewan Cooperative Wheat Producers, "Hand Book No. 3" put it this way:

The Pool selling policy has, from the first, been one of orderly marketing. This means exactly what it would seem to mean and nothing else ... Orderly marketing to the Pools means selling some wheat whenever there is apparent, in the world market, a real demand for wheat and selling it for as much as that market will pay at that time.<sup>19</sup>

How, precisely, this differed from the marketing methods of private grain traders, the pamphlet did not say.

Perhaps one of the most egregious examples of this meaningless and repetitive kind of prose came from an Alberta Cooperative Wheat Producers pamphlet which defined orderly marketing this way:

Orderly marketing, properly interpreted, means selling in accordance with the conditions of the market. Both the conditions of supply and the conditions of demand must be considered. The conditions of supply and demand are constantly changing. An orderly marketing program, therefore is not a fixed and rigid one. On the contrary it is extremely elastic. The main duty of those responsible for carrying out an orderly marketing program is to maintain a proper balance between the forces of demand and the forces of supply. Supply must not be allowed to exceed demand. The success achieved in carrying out such a program will, of course, depend upon the completeness of our knowledge of present market conditions and the accuracy of our estimates of probable future conditions.<sup>20</sup>

One really cannot understand this kind of endless thinking out loud about supply and demand, and this repeated

identification of "orderly marketing" with the discovery of the "real" requirements of buyers, without appreciating the views we explored in the previous chapter: that futures markets did NOT reflect the true supply and demand situation; that physical wheat was an insignificant proportion of what traded in the pit, and its presence was vastly overwhelmed by the fictitious demand supply and demand of "paper wheat", or "wind bushels." Moreover, farmers either never understood, or never accepted, that futures markets were designed precisely to obviate exactly what they feared: violent movements in prices of an irregularly produced, but regularly consumed, product. Nor did they believe that prices on futures markets reacted to supply long before it left the hands of the primary producer. The market, they believed, did not register supply until the wheat was actually brought into commercial channels. Hence the repeated references to "real" demand, and the repeated implication that if only the wheat was held back from commercial channels, the price would be held up.

The vagueness of these definitions did not prevent the Pools from claiming that they had succeeded in implementing orderly marketing. Moreover, these claims tended to imply that flows to market had been materially altered and that the Pools had picked their timing to market the goods in such a way as to avoid those "inevitable" fall price

declines, and to secure those just as "inevitable" spring advances. Saskatchewan Wheat Pool "Hand Book No. 3," for example, stated that only 40 percent of Pool farmers' wheat moved to market in the fall, compared with 75 percent "before the Pools came into existence."<sup>21</sup> These figures, as we shall see, were patently false, and a few months later a more carefully worded pamphlet appeared with this account of the success of orderly marketing:

The Wheat Pools have introduced orderly marketing. This is no longer a myth, or a dream of things hoped for, but an accomplished fact. Farmers of Western Canada still deliver their wheat in the proportion of approximately 75 per cent. in the fall months of the year, and 25 per cent. in the other eight or nine months; but no longer is it sold in that proportion. Deliveries to the Pools can be made at the farmer's convenience, but selling of Pool wheat is conducted in the orderly manner for which the Pools were established. Instead of 75 per cent. of the Pool wheat being sold in the fall months of the year, approximately 40 per cent. is now sold during that period, which in some ways is the natural marketing period for the Canadian crop.<sup>22</sup>

This then was the case as the Pools presented it, and as it was proven in their minds. The existing system was "disorderly:" clamorous and undignified in its conduct in the pit; heedless of true supply and demand, and characterized by mindless "dumping" in the fall and mad scrambles for short supplies in the spring; and overwhelmed by fictitious supply and demand at all times. In contrast, "orderly marketing" carefully assessed supplies against demand and fed wheat to the market as it was needed. Fall

prices were strengthened because the goods were held back; disparities between fall and spring prices disappeared.

This, more or less, was what "orderly marketing seemed to mean, and what they claimed to have achieved. Was there any evidence to suggest that the marketing patterns had really changed? Can the Pool claims to have achieved "orderly marketing" stand up to empirical analysis?

ii) An assessment

TO BEGIN WITH, ONE MUST HAVE some appreciation for the fact that the movement of the Canadian crop to world markets was very closely circumscribed by the forces of world geography and climate. The Stanford University Food Research Institute provided a very compact summary of typical world wheat export movements in a typical year during the 1920's, beginning with the earliest North American harvests:

When the American winter-wheat crop is harvested and ready for export, the Australian and Argentine exports are tapering off, and Canada is exporting the remnants of the old crop; Europe [then] imports from the United States ... When the North American spring-wheat crop is harvested, Europe turns to Canada ... and there is usually a heavy flow of Canadian exports until the closing of lake navigation. During December-April, when navigation on the Great Lakes is closed, Europe imports Canadian wheat stored at eastern lake ports, continues to take some hard winter wheat from the United States, and draws from Argentina and Australia the remnants of their exports. ... Towards the close of winter, the new Argentine and Australian crops appear [and flow] into the Northern Hemisphere up to the close of the crop year. With the reopening of navigation on the Great Lakes in April, exports of hard spring wheats are resumed [until] June and July, the last shipments

competing with the first shipments of American hard wheat from Oklahoma and Texas. This seasonal sequence of events changes somewhat from year to year with the varying import requirements and exporters' surpluses.

The closing words of this passage are particularly noteworthy, because they expressed a thought frequently voiced by Canadian grain trade officials in refutation of the Pools' charges about the "dumping" of the crop at harvest heedless of demand:

There is an annual seasonal curve of international monthly wheat movement with a high autumnal peak and a second lower peak in the spring, the duration and the height of the peaks and the duration and depth of the troughs changing somewhat from year to year. By quarters, the movement is more even. *The international movement of wheat is orderly, but it is not evenly spaced.* <sup>23</sup>

In February of 1924, in debate with Aaron Sapiro in Saskatoon, Robert Magill, Secretary of the Winnipeg Grain Exchange, commented on this cycle as follows:

See in what a lovely, lovely position we are placed when we begin to ship our wheat. The United States [Russia, and the Balkan States are all] ahead of us. If we did not sell our wheat till January or February, then Australia and the Argentine step in against us, and if we wait until May we have wheat from various tropical countries, and if we wait a little longer then the United States winter wheat comes round again, and the dreary round and circle goes on and on and on. What is the best period of the year to sell our wheat? What is it? Well I have been looking for it since 1910 and I haven't found it yet. <sup>24</sup>

The fact was, as grain trade defender and spokesman Sanford Evans had told Parliament's Standing Committee on Agriculture and Colonization in 1922, <sup>25</sup> it was almost impossible for the Pools to make any significant shift in the marketing pattern. The flow of Canadian wheat to market

was governed by much larger factors than either producers "dumping" their grain at harvest to satisfy cash needs, or by speculators allegedly manipulating supplies between spring and fall. Canada had to sell when the markets were there, and those markets required a large flow of wheat out of the Prairies between harvest and freeze up on the Great Lakes.

With that in mind, there are two things that may be examined to determine whether the Pools did indeed change the flow patterns as they claimed: first, the distribution of farmers' deliveries throughout the year; second the distribution of exports. Unfortunately, data on farmers' deliveries have perished with the passage of time, but data on rail shipments from country positions has survived, and they may be taken as a reasonable surrogate for deliveries. Rail movement lagged behind primary receipts by some days or weeks, but the practice until quite recently was to ship as soon as possible after delivery so that grain would be in marketable positions. The pattern of rail shipments therefore, while not exactly equal to producer deliveries, very closely paralleled country deliveries, and any change in the pattern of the latter would have caused a corresponding shift in the former. Summary figures on rail shipments and exports are shown in Table VIII-1.

TABLE VIII-1  
 PERCENTAGE OF EXPORTS AND OF RAIL SHIPMENTS FROM COUNTRY ELEVATORS  
 BY QUARTER<sup>26</sup>

1914/15 - 1922/23 (exports)  
 and 1919-20 - 1922/23 (rail shipments)  
 compared with  
 1923/24 - 1929/30

Quarter	<u>Rail Shipments</u>		<u>Exports</u>	
	<u>1914/15 to 23/24</u>	<u>1923/24 to 29/30</u>	<u>1914/15 to 23/24</u>	<u>1923/24 to 29/30</u>
Sept. - Nov.	70.3	69.1	34.5	34.3
Dec. - Feb.	16.0	17.3	27.2	26.2
Mar. - May	7.1	6.8	17.1	18.9
June - Aug.	6.5	6.7	21.1	20.4

The figures in these tables need no interpretation. It is clear that neither the pattern of rail movement (and by reasonable inference, of producer deliveries), nor the pattern of exports, was changed by the Pools' marketing practices. Exactly parallel results may be found from an analysis of grain shipments from the head of the lakes. In fact, a contemporary analysis of the Pools' marketing activity shows the quarterly pattern of shipments from Port Arthur and Fort William (the present city of Thunder Bay) to be virtually identical in the 1919/20 to 23/24 period and the 24/25 and 25/26 period.<sup>27</sup>

Something has been made by some scholars of the seasonal pattern of sales made by the Pools. These data were published in the Annual Reports of the Central Selling Agency for the years 1926/27 through to 1929/30. Wilson, for example, suggested that the monthly pattern of sales provides "[e]vidence that orderly marketing had been interpreted to mean the even distribution of sales over the crop year."<sup>20</sup> Indeed, it was almost without doubt the fairly uniform pattern of these sales that was the basis for the Pool claims quoted above, although they did not refer directly to them in their publicity. For what they are worth, the figures are contained in Table VIII-2.

The salient figures are the quarterly percentages contained in the rightmost column, which do indeed show a uniform pattern throughout the year. But the figures by themselves mean nothing, because there is simply no comparable set of numbers with which they can be compared to discover any change from past practices. The only meaningful point of comparison with the existing grain trade might have been the seasonal sales patterns of a similar enterprise like United Grain Growers. But such data no longer exist.

TABLE VIII-2

MONTHLY PATTERN OF SALES MADE BY THE CENTRAL SELLING AGENCY<sup>29</sup>

1923/24 - 1929/30

Month	26/27	27/28	28/29	29/30	Tot
Sept.	10.4	15.4	30.0	8.5	64.4
Oct.	14.8	19.5	25.0	8.6	67.9
Nov.	20.5	25.2	22.4	11.8	79.9
Total	45.7	60.1	77.4	28.9	212.2
%					28.5
Dec.	20.1	11.8	22.5	6.9	61.3
Jan.	17.3	13.7	18.3	2.7	52.0
Feb.	13.7	24.2	15.7	0.9	54.4
Total	51.1	49.7	56.5	10.5	167.7
%					22.5
Mar.	14.6	25.6	15.5	8.6	64.3
Apr.	15.7	22.6	13.5	12.2	63.9
May	21.8	17.4	4.5	21.5	65.2
Total	52.1	65.6	33.5	42.3	193.4
%					26.0
June	14.3	18.1	20.1	9.6	62.0
July	7.4	17.0	13.6	15.1	53.0
Aug.	17.1	12.4	3.8	23.6	56.8
Total	38.8	47.5	37.4	48.2	171.8
%					23.1
G.T.	187.7	222.9	204.8	129.9	745.2

The fact that the Pool sales figures were more uniform than the exports shown in Table VIII-1 is not significant for two reasons. First, some of the Pools' sales were made directly to overseas buyers. But the fact that the buyer bought from the Pool instead of from a private grain dealer

would not have altered the timing of these transactions themselves. Such a change in practice, then, would have had nothing to do with "orderly marketing" in the sense of changing when grain moved to market. Secondly, the Pools captured a very large share of the domestic milling market. Movement into this market was much more uniform than exports, and it is likely (although the data do not show the seasonal patterns of export and domestic sales separately) that this flow would have tended to give a more regular seasonal pattern to the Pools than to firms that were more active in the export market.

Booth compared the above sales figures with producer deliveries and came close to accepting such a comparison as a validation of the Pool claims. But he went on to make comparisons of exports (and shipments out of the Lakehead) before and after the Pools came into existence, and found, as we saw above, that there had been no change. Booth's conclusion seems more a statement of faith than a valid conclusion from his analysis. "The pool," he said, "is in a position to effect a more uniform distribution of sales ... without materially changing the normal movement of the crop."<sup>30</sup> Just what he meant by this statement is a total mystery.

If it was the contrast between producer deliveries and their own sales that the Pool was using when it made the statements which they did, then how, we must ask, could they have thought such comparisons to be valid? The answer to this question is that, in the minds of those who wrote such things, the Pool was the farmers. In their minds, under the old system, farmers parted with their grain at the elevator door, whereas under the new, they retained ownership through the Pool until sale to a miller. It is only by looking at matters this way that the Pool could have made the claims that they did.

Just why the Pools did not advance their argument on these quite defensible grounds is not clear. The only reasonable inference is that the idea of orderly marketing had come so strongly to encompass the idea of changing the flow of wheat to market, that to admit there had been no significant change would have entailed a loss of face. Hence data supportive to the cause, and statements devoid of real content, were published, while the embarrassing truth was glossed over.

We now turn to the three pricing issues around which the bulk of the dispute between the farmer and the grain trade swirled.

B. THE SPRING - FALL PRICE DISPARITY

i) The producers' argument

IT IS APPROPRIATE TO BEGIN an examination of the price arguments made by the Pools with the spring-fall price spread question because it is so much a part of the issue of orderly marketing. Farmers thought fall prices were depressed, partly because of the rush of wheat deliveries and partly because of manipulation by speculators.

Commingled with this was the idea that producers were forced to sell in the fall because of their need for cash, and therefore felt themselves to be helpless victims of the spring-fall price disparity. This view was brought out during the 1931 Royal Commission hearings by Commissioner Justice Brown in his questioning of Manitoba farmer and Pool director, W.A. Gourley. The following is a precis of this exchange, condensing Brown's rather wordy questions, but Gourlay's answers are his own words exactly:

Q.- Mr. Gourley, what have you found to be the general conditions in the fall, what is the farmer as a rule forced to do? A.- The great majority of them have to sell as soon as they can get their wheat out.

Q.- Why? A.- To meet their indebtedness.

Q.- So they must accept whatever market is available? A.- As a rule.

Q.- What do the farmers generally find in reference to the fall prices? A.- Ninety-nine farmers out of a hundred just look back at the figures and will say that the price has been lower in the fall than the spring, and regret that they haven't been able to hold. Whether they would have gained by holding is a question.

Q.- They find that prices are fairly good at the opening of the market, and find a recession shortly thereafter? A.- Yes, in other words, we think the hedging pressure puts down the market.<sup>31</sup>

However, although they believed in the spring-fall price disparity, they never analysed or documented their reasons. Only one study from this era seems to provide any justification for their belief, namely a report prepared for Saskatchewan Premier W. M. Martin in 1921 by James Stewart and F. W. Riddell. This report answered eight questions posed to the authors by Premier Martin during the debate over the reinstatement of the 1919 Wheat Board. In the course of their arguments, they put forward as one of the advantages of a central marketing body the ability to secure for the producer the benefits of higher prices that were thought to prevail in the spring. The report was extremely influential in establishing farm opinion,<sup>32</sup> and it is worth dealing with its conclusions at some length. The following is a precis, largely in the authors' own words, of the advantages they saw to pooling systems over the existing marketing system:

(1) Statistics show that seventy to seventy-five per cent. of the crop is thrown on the market during a period of three months. Under a pool the movement would be more evenly spread over the year, thereby avoiding gluts of grain, and consequent depression of prices, which usually occur during the first three months of the crop movement.

(2) The more evenly regulated movement would stabilise prices to the consumer, as well as in favour of the producer because the low prices prevailing during the big movement of the crop continue for only three or four months.

(3) Flour prices are related to the price of wheat, but do not follow its day to day fluctuations. Three-quarters of the farmers' wheat is marketed during a period of three months when the price is usually depressed. During the remaining nine months the tendency is for the price of wheat to go higher. Thus the producer only gets the benefit of the higher price for one quarter of his crop. The consumer, on the other hand, pays for his flour on the basis of the current prices for wheat. Since the wheat market is low for three months of the year, and high for nine months, it would benefit the consumer, as well as the producer, if the delivery of the wheat crop could be more evenly spread over the entire twelve months.<sup>33</sup>

The precise difference between the second and third point is not entirely clear, but there could be no doubt in the minds of their readers as to Stewart's and Riddell's belief about an undue spring-fall price disparity. To support its claims, the report's Appendix 2 provided the following wheat price data for No. 1 Northern, in store Fort William, from 1910/11 to 1916/17. The data are in cents per bushel:

Season:	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Sept. to Dec.:	95-3/8	98-1/4	86-3/4	83-1/4	116	101	175-3/4
Jan. to Aug.:	94	102-3/8	90-1/4	92-1/4	141-1/4	119-3/4	220
Aug. to Sept.:	94-1/2	101	89-1/4	89-1/2	132-3/4	113-1/2	205-1/4

That these data show a marked tendency for prices to be higher in the January to August period than in the heavy delivery period of September to December cannot be gainsaid, and that is quite consistent with what we said in Chapter VII about spring prices being higher. But do the conclusions which Stewart and Riddell drew stand up to scrutiny?

ii) An assessment

CHAPTER VII HAS ALREADY DEALT with this question theoretically, and it was shown there that one of the functions of futures markets was precisely to reduce the spread between spring and fall prices to no more than the intervening carrying costs (storage and interest). However, all the theory says is that the value, in September, of the May futures price would not exceed the September cash price plus carrying charges. It does not say that the actual cash price, by the time May arrived, might not exceed the actual September cash price by more than the intervening carrying charges. This is the conclusion which Stewart and Riddell drew from the data they collected for their Appendix 2, and so it is the cash price data that must be examined to see whether the theory, so devoutly believed, stands up. We can

start with an analysis by Professor W. A. Mackintosh of Queen's University, on the whole a sympathetic observer of Western Canadian farm organizations.

In his treatment of the Stewart and Riddell study, Mackintosh first determined that carrying costs could not account for the full amount of the differences shown in their Appendix 2. But, he noted, three out of their seven years (1914/15 to 1916/17) were war-time, a period of rapidly rising prices which could scarcely be called normal. Mackintosh extended the data to cover the years from 1900 to 1924, analysing it in five year segments, and found that in only one of the five year periods did the average spring-fall price difference exceed the approximate carrying cost of seven cents. Mackintosh cited work by Professor Boyle, an American scholar at Cornell University who took considerable interest in the Canadian pooling movement and who appeared as a witness for the grain trade at the 1931 Royal Commission. Boyle had analysed 51 years of Chicago price data and 34 years at Minneapolis, all of which corroborated Mackintosh's findings. Mackintosh's conclusion was blunt and unequivocal: "Whatever its evils, speculation in grain futures has virtually eliminated the slump in grain prices in the fall."<sup>34</sup>

As noted in the previous chapter, the Stanford Food Research Institute did several analyses on this subject, - both directly and as part of larger studies on related matters. One of these was done in 1926, as part of an overview of the American debate concerning a national wheat growers cooperative - a Sapiro style organization to do for wheat what the California coops had done for fruit. In this study, the Institute examined data assembled by the U.S. Federal Trade Commission comparing the fall and spring cash prices, and the fall cash price with the fall level of the May futures. Separate analyses were performed on each of these. The spring-fall price comparison was made using average monthly prices in ten year periods from 1886/87 to 1915/16. The data are shown in Table VIII-3.

Table VIII-3

Ten Year Averages of Monthly Average Cash Prices For Wheat at Chicago

1886/87 - 1916-17<sup>as</sup>

Decade	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
86/87	.....cents per bushel.....											
-95/96	75.06	76.08	76.85	77.68	76.94	76.05	75.25	75.77	75.85	77.45	79.19	76.11
96/97												
-05/06	77.08	77.15	79.27	79.82	80.66	81.63	82.02	83.54	81.87	82.07	86.05	81.68
06/07												
-15/16	95.93	94.07	96.53	96.99	96.19	99.34	103.26	105.75	103.97	106.67	110.64	102.71
Average	82.69	82.43	84.22	84.83	84.60	85.67	86.84	88.35	87.23	88.73	92.11	86.83

The average of the average prices for September, October and November was 84.55<sup>36</sup>; the average for May was 92.11. A rough estimate of the premium of spring cash prices over fall therefore was 7-1/2 cents per bushel. The Commission had calculated carrying costs (storage, interest and insurance) at 9 cents per bushel - almost one and one-half cents above the realized price spread. Hence, a speculator who followed the simple minded strategy implied in the farm organization publications - buying wheat in the fall and holding it until spring - would, on average, have lost about one and on-half cents per bushel for his pains.

The Commission also collected data showing the spread between the fall cash price and the price during the fall of the May future. These spreads are shown in Table VIII-4.

Table VIII-4

Five Year and Thirty Year Averages of the Spread Between the May Future and the Fall Cash Prices, by Month for Wheat at Chicago,

1887/88 - 1916/17<sup>37</sup>

Month of trading	Averages for five year periods						30 yr avg.
	187-92	192-97	197-02	102-07	107-12	112-17	
	cents per bushel						
September.....	+7.33	+7.68	+1.34	+0.16	+5.26	+0.80	+3.76
October .....	+5.70	+7.08	+1.73	+0.46	+4.40	+2.11	+3.58
November.....	+6.18	+5.86	+1.32	+0.76	+3.72	+3.70	+3.59

The average spread (measured as the average of the three figures in the rightmost column of Table VIII-4) is 3.64 cents per bushel. This would represent the gross profit (before paying carrying charges) to a merchant who bought grain from a producer, hedged it by selling a futures contract for May delivery sometime through the September to November period, and then delivered the grain against the contract in May. This, as the Institute said, "made a poorer showing than the plain spread of cash prices."<sup>38</sup> It concluded:

If the figures of the Federal Trade Commission represent the effects of pounding down the price in the fall and driving up prices in the spring, as charged by wheat growers, these effects must have been disappointing to the speculators engaged therein.<sup>39</sup>

The Institute returned to the question in 1929 with a more detailed analysis using its own data on spring and fall prices in three U.S markets (Kansas, St. Louis and Minneapolis) and in Winnipeg. For each market, the spread between the May-June average price and the two post-harvest months' price was calculated for each year from 1900/01 to 1927/28, excluding the years of war-time control. The data were then grouped in seven year periods. The average for each seven year period, for each market, are shown in Table VIII-5.

Table VIII-5

Net Differences Between Average Cash Prices in two Post-Harvest Months

and May-June, Various Markets, 1900-14 and 1921-28\*\*

Year	No. 2 Hard Winter at Kansas City			No. 2 Red Winter at St. Louis			No. 1 Nor. Spring at Minneapolis			No. 1 Man. Nor. at Winnipeg		
	Avg. July- Aug.	Avg. May- June	Net	Avg. July- Aug.	Avg. May- June	Net	Avg. July- Aug.	Avg. May- June	Net	Avg. July- Aug.	Avg. May- June	Net
00/01												
-06/07	73.4	81.7	+8.3	78.6	89.3	+10.7	81.1	87.8	+6.7	--	--	--
07/08												
-13/14	93.6	102.5	+8.9	96.4	107.8	+11.4	101.5	106.8	+5.3	92.3	96.9	+4.6
21/22												
-27/28	124.5	136.4	+11.9	130.4	149.4	+18.9	134.4	147.1	+12.7	126.8	142.4	+15.6

The corresponding carrying costs (storage, interest and insurance) were in the neighbourhood of 14 cents for Kansas and St. Louis, 11 cents for Minneapolis and 10 cents for Winnipeg, leading the Institute to comment that,

in the pre-war period of fourteen years, there were only six years in each market in which the advance in price approached or exceeded ... a low estimate of the inclusive carrying charges. In four years there was a decline or no net advance; in the other four, the net advance was appreciably below the cost of carrying wheat from soon after harvest until the late spring. In the post-war period of seven years there were only two in which the net advance in price clearly equalled or exceeded the full gross carrying charges.\*\*

In short, they concluded:

there is no such thing as making money systematically by buying wheat in the fall and selling the unchanged wheat unhedged in the spring; or by buying wheat and hedging it in the fall and selling

the unchanged wheat and closing out the original hedge in the spring.<sup>42</sup>

The Winnipeg figures in Table VIII-5 are worthy of particular note because the period of Pool operation coincided with the second largest spread between spring and fall prices in the whole table - 15.6 cents, second only to 18.9 cents for 1921/22 - 1927/28 at St. Louis. Note that this observation is still true even if the non-Pool years, 1921/22 and 1923/24, are excluded from the seven year average. If anything, this constitutes a *prima facie* case that the spring-fall price spread was even worse under the Pools' regime than it had been previously!

All these studies were consistent with the findings of the 1931 Stamp Commission. It too addressed the spring-fall price spread issue in its final report, accepting as accurate a Winnipeg Grain Exchange analysis which calculated the loss or gain that could have been realized by holding wheat to May 1st from the first day of each of September, October, November and December. The calculation was performed for each year in two ten year periods, 1904/05 - 1913/14, and 1920/21 - 1929/30, for a total of 80 possible cases. In this analysis, full allowance was made for carrying costs. The results of this study were presented in an appendix to the Commission's report. Out of the total 80 cases, a speculator, behaving as the farmers believed they

did, would have had the following experience: he would have lost money in 53 cases and made money in only 27; the largest loss would have occurred in 1920/21 crop year, where the speculator buying in September and selling in May would have lost \$1.08 per bushel; the largest gain would have come in 1921/22, buying in November and selling in May, of 27.5 cents per bushel; a speculator who bought equal quantities of wheat in September, October, November and December, and sold that same wheat every May, in every one of the twenty years of the study, would have lost on average just under six cents per bushel. As the Stanford Food Research Institute said, only through skilful management of merchandising from fall to spring was there money to made.

It is difficult to see how these data can be reinterpreted, or seen in a different light, from the Pool's ideological perspective. The farmers' accusation was straightforward: fall prices were depressed by "dumping" and the spring-fall spread widened by short selling and by manipulation. The supporters of the open market claimed that futures trading dampened the spring-fall price spread. The evidence does not support the farmers' position. While results vary in individual years, on average the spring-fall spread was less than carrying charges in every North American market, including Winnipeg over the first three decades of the century. It is that simple.

C. THE WINNIPEG-LIVERPOOL PRICE DISPARITY

i) The producers' argument

WE NOW TURN TO THE SECOND PRICE ISSUE, namely, the spread between Liverpool and Winnipeg prices. This issue received considerable attention during the conduct of the 1925 Royal Commission, because in 1923, U.S. Secretary of Agriculture Henry Wallace had released a report showing Winnipeg-Liverpool price comparisons for the period January 1922 to September 1923. During certain of these months, the report seemed to show price spreads between the two markets exceeding transport costs by up to 30.6 cents per bushel.

Commissioner Turgeon did not say whether suspicions of an excessive spread arose from other sources, or whether further evidence was adduced to support the charge. However, in his final report, his refutation addressed only the Wallace report, and rested on two grounds. First, he accepted the criticisms of leading Winnipeg grain dealer James Richardson that the Wallace analysis failed to take into account all the relevant charges between the two markets, and that the routing which it assumed - an all rail route from Fort William to New York - served only two

percent of all Canadian grain shipments. Second, he noted that, in those months where the spread was widest (September through November of 1922), price premiums had arisen in the U.K. because of a U.S. rail strike which had interrupted the flow of Canadian wheat to Britain.

As shown by the *Scoop Shovel* cartoon in Exhibit VIII-6 dismissing the Commission's report as a "whitewash" of the Exchange,<sup>43</sup> these findings were not well accepted by farmers.

The Wallace figures were also the subject of an acrimonious debate between the Saskatchewan Cooperative Elevator Company and George Langley, the Company's former Vice President. An account of the incident, from the Company's point of view, was published in its official paper, *The Saskatchewan Co-operative News*, in March of 1924. Using the figures of the Wallace report as a basis, Langley was reported to have said that

if the farmers of Western Canada had sold last year's crop through their own Pool direct to Liverpool, instead of at Winnipeg, the producers would have received \$27,000,000 more than they did receive for their wheat. ...

It was the Winnipeg grain man, the middle man, who got this difference.

The Company responded by labelling Langley's statements as fallacious, misleading, incorrect, and a grave reflection upon every grain trading concern. The Wallace report

figures, it claimed, were developed for a different purpose and "cannot properly be used to support [Langley's] contentions." The directors wrote to Langley asking him to support his number of \$27 million, but Langley was evasive. He had been misquoted, he said, citing "all the faults of a longhand report," and moreover: "I did not say it was the Winnipeg grain man who gets this money ... The middle man referred to is away back of Winnipeg."

"Way back of Winnipeg," of course, was the Company, and they were justifiably miffed. They accused Langley of having "evaded the issue," and queried him in a second letter. Langley again failed to answer their questions, writing back that the press report, although inaccurate in some matters, "was on the whole satisfactory." Langley claimed that he was "out advocating a Pool," and his objective therefore was to make the point that the farmer "does not receive the international marketing value to which he is properly entitled." This, said the Company

amounts to a cynical declaration that the end justifies the means. Misrepresentation of facts which should be well known to him and reflection on the honesty of others - among them the Company - are minor considerations beside the creation of an effect favorable to Mr. Langley's purpose. ←←

The dispute between Langley and the Saskatchewan Company was only one incident in the controversy. In the latter part of 1925, Alberta farmer and UFC canvasser A.C. Weaver

published a pamphlet entitled "Pool Points," containing an analysis based on the Wallace figures, but correcting the shortcomings identified by Richardson. Weaver's pamphlet became the source of a second bitter debate with both the farmer owned elevator companies (the Saskatchewan Cooperative elevator Company and UGG). The pamphlet contained Weaver's side of the story.<sup>45</sup> He started with Wallace's Winnipeg and Liverpool prices, but recalculated the intervening transportation and handling costs to include all charges on the most commonly used route: from Fort William via Buffalo to New York using both water and rail. Moreover, rather than comparing prices in the two centres in the same month, he compared Liverpool prices with prices in Winnipeg during the preceding month to allow for transit time. As Weaver pointed out, for September of 1922 at least, the results were more damning than the Wallace figures themselves:

	Spread in cents per bushel according to:	
	Wallace:	Weaver:
1922		
September (Winnipeg)	23.7	35.4
October	30.6	19.7
November	6.4	8.7
December	11.2	8.3

These spreads, it must be emphasized, were what the two studies found to prevail after all intervening charges had been removed, Wallace calculating these charges incorrectly,

and Weaver, correctly. So the spreads, on the face of matters, represent net gains to the exporter.

Weaver also claimed that, although he had publicly challenged the two farmer owned elevator companies, at over 100 lectures, to refute the numbers, the challenge was never satisfactorily answered. This charge may be true. A response in *The Saskatchewan Co-Operative News* did little more than reiterate the Turgeon Commissions findings.

In time, a new element crept into the Pool claims about Winnipeg and Liverpool prices. The *Scoop Shovel*, in 1927, argued, not that the Pools had narrowed the spread between the two markets, but that they had actually put the Liverpool price up. In the March issue, a graph was presented showing Liverpool prices for Australian, Argentinian, Indian, British and Canadian wheats, for the years 1922/23 to 1925/26. The line for Canadian wheat lay generally below the others in 1922/23, crept up during 1923/24, and lay generally at the top of the range for the last two years. The inference, said the paper, was obvious: the Pool had forced up the price. A letter, addressed to Central Selling Agency Sales Manger D. L. Smith from an unnamed British grain trader ("one of thousands of testimonials") was cited in support of the claim. "The Pool," said the letter, "had sustained and maintained a much

higher level of prices" than the old system of marketing, and "without the shadow of doubt Manitoba wheat is commanding its rightful and lawful premium over less desirable qualities of wheat."<sup>46</sup>

A month later, graphs were published, this time showing, on one chart, wheat prices at Fort William in dollars per bushel, and flour prices in London in shillings per 280 lbs, and on a second chart, bread prices throughout Britain and Ireland. The charts are reproduced here as Exhibit VIII-7.<sup>47</sup> According to the *Scoop Shovel*, the charts showed that while bread and flour prices were satisfactorily related, declines in wheat price were not reflected in flour and bread prices, strongly hinting that the apparent increases in margins had gone into the pockets of the middlemen.

However, the article went on:

In 1924, just at the time when the three Wheat Pools began operations, there was a startling change, and the increase in the price of flour and bread, while showing an advance over the low period from 1921 to 1924, was accompanied by a much greater advance in the price of No. 1 Northern wheat at Fort William. It is apparent that the premium which the superior quality of Canadian wheat is entitled to is now being paid for this wheat, without any serious burden being laid upon the consumer.<sup>48</sup>

Although the accompanying text did not explicitly say so, no one examining the charts could have failed to be impressed by the fact that the price of wheat seemed to fall "below" the price of flour prior to 1924, and "above" it thereafter. On the evidence which the chart seemed to

portray, nothing could be more reasonable than to conclude that the price of flour had not risen proportionally to the price of wheat.

These then were the arguments raised. Let us see if they stand up to scrutiny.

ii) An assessment

ONCE AGAIN, the Stanford Food Research Institute provided an empirical assessment of the dispute. In 1926, the Institute carried out an intensive analysis of spreads between the two markets covering the period from April, 1921 to November, 1925,<sup>49</sup> thus including the critical months which were so hotly debated between the grain companies on one side, and the Pool spokesmen on the other. The analysis took account of all the costs incurred in moving wheat overseas - analyzing both the water-rail route over the Great Lakes, and the overland route during the winter months. It culminated in a series of charts showing, like the Wallace and Weaver figures, the net spread that would accrue to the exporter after all costs had been deducted. The results are shown in Exhibit VIII-8.<sup>50</sup>

The study's key conclusions were, first, that "there is a broad tendency for price spreads to correspond to shipment

costs by the cheapest route," but second, that "exporters could not have 'broken even' on their operations unless they bought at lower or sold at higher prices than the average of the quotations."<sup>51</sup> It is clear from the charts that there was certainly no consistent price spread between the two markets to give exporters a guaranteed return over the costs of transportation and handling, as the Pool leaders had claimed. Indeed, as with the spring-fall spread, the figures indicated that only through consistently skilful merchandising could grain traders have avoided loss.

The charts do show that the spread stood at its maximum level, and was persistently positive for longer than at any other period, precisely during the months that Weaver had selected for his case study. However, the maximum spread shown in the Stanford charts was in the order of 18 cents per bushel, not the more than 30 cents per bushel calculated in the Wallace and Weaver analyses. The reason for this seems to lie in the fact that Wallace's Liverpool prices (which Weaver also used) were some 8 to 16 cents per bushel higher than the prices used by Stanford. The two studies used different sources for their data, but the record is silent about the reason for the difference. However, a strong inferential case can be made that the Institute's price figures were the correct ones.

First, the Institute was well aware of the Wallace study and the furore it had caused in Canada. In an earlier paper, it had made reference to Canadian "attempts ... to interpret the spread as indication of the profit made in exporting," and to an inquiry by the Saskatchewan Coop company to Wallace challenging the accuracy of his figures. The inquiry had impelled the U.S Department of Agriculture to issue a "disclaimer" conceding the validity of the Company's criticism, and protesting that the purpose of the report had not been to estimate exporters' profits. Secondly, the "Liverpool price" was not so readily discovered as the Winnipeg price. Some years later, another Institute study described the various quotations made in Liverpool and the differences between them. The Institute, it seems clear, had a deeper understanding of what constituted representative prices than did the Wallace analysis.

The Stanford study covered only one year of the Pool's operation, but there is no particular evidence that the spread was any different in that one year than it had been for the previous three and a half. Nor is there any reason to expect a difference; there was no margin to be squeezed out.

What then can be said of the *Scoop Shovel* claim that the Pool had driven the premiums on Canadian wheat at Liverpool up to their "rightful and lawful" levels?" To begin with, it was true that Canadian wheat commanded a premier position on the Liverpool market, primarily because of the high protein content of Western Canadian hard spring wheats. A 1935 Stanford study analyzed British wheat prices for calendar years 1925 to 1934 inclusive, examining the high and low prices each week, and noting which of seven wheats, classified by country or region of origin, occupied the highest and lowest positions in the price spectrum.<sup>52</sup> Out of a total of 539 observations<sup>53</sup> in the study period, Canadian wheat occupied the premier position for 478 of them.

But two caveats had to be put on the findings. First, the high position of Canadian wheat was invariably occupied by the highest quality product: Number 1 or Number 2 Northern. Canadian wheat also had the distinction of being the lowest valued 85 times out 546, a position achieved by Number 4 Northern, the lowest possible milling grade.

The second caveat was that the size of the lead enjoyed by No. 2 Northern was variable, and depended on the relative abundance or scarcity of the top milling grades.<sup>54</sup>

These caveats came into play in the 1922 to 1924 period analyzed in the *Scoop Shovel* article. The proportion of the Canadian crop falling into the higher grades in these years was as follows:<sup>55</sup>

Year:	1920	1921	1923	1924	1925	1926	1927
Proportion of No. 1	0.38	0.31	0.66	0.37	0.20	0.22	0.09
Proportion of Nos. 1 & 2	0.62	0.51	0.83	0.63	0.38	0.49	0.26

A 1928 Stanford study on British wheat parcels commented on the impact these grade patterns had on price:

No. 1 Northern is never a discount wheat; but the extent to which it is a premium wheat varies from year to year. Following the exceptionally large proportion of No. 1 Northern in the good Canadian crop of 1922, it was at an exceptionally low premium in 1922-23.<sup>56</sup>

The article went on to point out that the proportion of No. 1 Northern was exceptionally high (66 percent) in 1922-23, and exceptionally low (9 percent) in 1926-27. Of the influence of the Pools, not a mention is to be found in this article. The price phenomena, which the *Scoop Shovel* was quick to credit to the Pool was, in the opinion of Institute scholars in two separate articles, entirely due to grade patterns. Moreover, it is inconceivable that a manager of the depth and breadth of experience of Mr. D.L. Smith, whose name the newspaper cited to give credibility to its claims, would have been unaware of the importance of the proportions

of various grades on the price of the top milling grades at Liverpool. Rhetoric, then, or reality?

Finally, there was the point, allegedly proved by the graphs in the *Scoop Shovel*, that the Pools had raised the price of wheat without raising the prices of flour and bread. It must be said that of all the hard data that were assembled to support the Pool's case, few were as misleading as these particular graphs, and few as subject to misinterpretation. To illustrate why this is so, one must first realize that the two curves in the upper chart are plotted using completely different scales, wheat on the right in dollars per 62 pound bushel, and flour on the left in shillings per 280 pound lot.

Now, it is apparent that the two lines are lower in the 1921 to 1923 period than they were in the 1924 to 1926 period, and, as noted, it appears as if the wheat line rose by more than the flour line. However, when the values displayed on the graph are converted to a common basis of Canadian cents per pound, the results belie the appearance:

	Average Wheat <u>Price</u>	Average Flour <u>Price</u>
1921 - 1923:	2.02	3.95
1924 - 1926:	2.37	4.25
Increase:	.35	.30

In fact, as these figures show, the increases in price for the two commodities were almost identical. Hence the phrase "much greater increase in the advance in the price of No. 1 Northern" is absolutely false. The misrepresentation arises because the items seemingly compared were not themselves of comparable size, however much they may have been made to appear so by the choice of scales. The apparent relative positions of the two curves - the one seeming to fall first "below" and then "above" the other - was an illusion.

Nor is the slightly greater increase in the price of wheat over flour (0.35 cents per pound as opposed to 0.30 cents per pound) significant. No.1 Northern was only a fraction of the wheat used in the flour mix, and we know from figures which the *Scoop Shovel* itself had printed the previous month, that No. 1 Northern rose in price by more than did the average wheat price. So the average price of the total wheat component must have risen by less than 0.35 cents per pound. Moreover, it was a time when milling technologies were improving, and it is likely that milling costs - the other components of the roughly four cents per pound flour price were dropping.

The *Scoop Shovel* wanted to leave the impression that there were excess profits that the Pool squeezed out of the

market, thus benefitting the grain producer without harming the consumer. But the case is not made by the analysis performed, and all in all, there is arguably a *prima facie* case which is the direct opposite to what the *Scoop Shovel* claimed.<sup>57</sup>

The main conclusion arising from this assessment of the Pool argumentation is that the various claims about the spread between Winnipeg and Liverpool prices were false. There were not excess margins between the two, just as the grain trade arguments about the workings of futures markets had said. Nor was there any more logic or evidence to suggest that the Pools were able to influence Liverpool, than there was later in the 1930's for McFarland's efforts to do the same thing. Liverpool merchants simply had too many options to be forced to pay higher prices by centralized marketers in any one country.

#### D. THE POOL VERSUS NON-POOL PRICE

##### 1) The producers' argument

THE THIRD AND MOST IMPORTANT PRICE ISSUE of the debate was the comparison of the returns to Pool farmers with those to non-Pool farmers. As was discussed earlier, farm leaders had claimed since the early 1920's that a central marketing

organization could yield farmers higher prices than did the open market. An obvious question therefore is whether or not, when the two systems operated side by side, the farmer who sold through the Pool fared better than the one who did not. However, a little thought must first be applied to the tapestry of farmers' grievances about the open market to see our way clearly through the arguments that were raised in this particular phase of the debate.

Conceptually, if the farmers' analysis of the open market had been correct, then certain of the activities of the Pool would have had a beneficial effect for both Pool and non-Pool farmers alike. For example, if the Pool had truly eliminated a fall price depression, or truly forced the Liverpool market to a higher level, then the resulting higher prices would have accrued to both Pool and non-Pool farmers. On the other hand, certain other actions taken by the Pool would have redounded only to the benefit of Pool members. Thus, to the extent that the term "orderly marketing" meant only choosing the right time to sell then only Pool patrons would have benefitted. Similarly, to the extent that speculators were able to winkle the goods out of farmers' hands at low prices and dispose of them at higher prices, they could have continued to do so with the grain delivered by non-Pool farmers, and only Pool farmers would have escaped unharmed.

It is important to keep the above distinction in mind because scholars sympathetic to the Pool cause have tried to argue the futility of this price dispute by pointing out, as Fowke put it, that "there was no way of knowing what the open market prices would have been had the pools not been in operation."<sup>59</sup> While this is true, this does not get around the fact that the Pool selling practices should to some extent have benefitted Pool farmers exclusively, and this benefit, in theory, should have been identifiable.

The Pools themselves did not share Fowke's reticence, and they enthusiastically entered an annual pamphlet war over whose customers had received the higher price.

It seems that the first shot in this annual pamphlet war was fired by the Saskatchewan Wheat Pool in a statement issued by general manager, D. McCrea who, in October of 1925 claimed, without apparent documentation, that he had "no hesitation in stating that the prices which the Pool has already paid, including [the final payment for the 1924/25 crop year] on the average are much better than those which have been paid to the farmers who have refrained from joining the Pool."<sup>60</sup>

The trade responded to this charge by having the Price Waterhouse accounting firm produce an audited account of

"the average wheat prices by grade, per bushel, in store Fort William and Port Arthur terminals realized for producers' account" by fifteen elevator companies operating throughout the Prairies.<sup>60</sup> The study examined prices paid for thirty grades of grain, and compared the Pool final price of each with the corresponding non-Pool prices. In only four of the grades examined was the Pool price the higher of the two, and these four were for minor rejected grades that would not enter commercial channels, but would have had to be blended off into lower grade wheats used for animal feed. In the major milling grades, the spread was substantially in favour of the non-Pool grower, as shown in the following figures extracted from the study (all figures in dollars per bushel):

	Gross Pool price	Deduc- tions	Net to prov. Pool	Non-Pool price	Gain to non-Pool grower
No. 1 Northern	1.66	.043	1.617	1.668	.051
No. 3 Northern	1.55	.0419	1.5081	1.584	.0759

Key items in these figures were the deductions shown in the third column. These will be discussed more fully later, but briefly their largest components were amounts deducted as "reserves" for the construction of elevators, and for insurance against adverse circumstances: in other words, the cost of risk which for non-Pool farmers was absorbed by the speculators. The Pools credited these reserves to

individual producers' accounts, but in fact the farmers never did receive them as cash in hand. Whether they were, or were not, properly counted as a return to the farmer is a moot point indeed that we shall address later.

There were two things wrong with the grain trade figures, only one of which featured in the two rebuttals which the Pool made to the figures.

The first of the Pool's charges was that, since the sample included only fifteen companies, it "may only represent a twentieth part of the total non-pool wheat marketed last season."<sup>61</sup> The names of the firms which actually participated in the study remain unknown, but it is virtually certain that the firms participating were the industry leaders. Sanford Evans was editor and publisher of the *Grain Trade News*, a recognized spokesman for the grain industry, a member of the 1931 Royal Commission, and a virulent opponent of the Pools, and he referenced the Price Waterhouse study in a talk he gave to the U.S. Grain Dealers' National Association in Buffalo New York in October of the following year. He described the participants as "the 15 leading elevator companies,"<sup>62</sup> and he was in a position to know who they were. Moreover, the Exchange itself issued a further statement answering the Pool rebuttal, and claiming that the sample represented over 1000

elevators.<sup>63</sup> So the charge that the results were unrepresentative because of the small number of firms was without doubt invalid.

The Pool was on stronger grounds on its second charge, (the first of the two things wrong with the Price Waterhouse study) namely that the results shown apply only to "special bin" wheat. This was grain which farmers shipped in carload lots to the Lakehead, selling at some point after shipment when they felt the price was right. In general, the handling charges applying to wheat in carload lots were a few cents per bushel lower than on so-called "street" purchases of grain bought in smaller, wagon or truck load lots. The phrase "realized for producers' account" suggests that the Pools were quite right on this score, and indeed, the Exchange never answered the charge satisfactorily.<sup>64</sup> It is likely therefore that the Price Waterhouse figures represented the maximum return to non-Pool farmers, not the average.

The second fault with the Price Waterhouse figures was addressed by neither side in this particular exchange. It is understandable that neither side commented, the Pool because it would have worked to their disadvantage, and the trade because it would have required an admission that the Pool criticism about special bin wheat was right. To

understand the problem, one has to appreciate that various charges accrued to a bushel of wheat as it made its way through the system from the farmer to the miller. The largest of these were freight, handling, storage and carrying costs, the latter two of which accrued while the grain was in store at the Lakehead elevators. The Pool prices were calculated after all these charges had accrued, and the grain was about to pass to the next owner in the commercial chain - a miller or exporter. The prices of the non-Pool wheat would not have reflected all these charges, because, when the farmer sold in store at a terminal elevator, he would at least sometimes have sold to a party who continued to hold the goods at terminal position. So while the Pool price included all the Lakehead carrying costs, the non-Pool price did not. Accordingly, the two prices shown above were not strictly comparable, and the correct comparison would have shown an even greater benefit to the non-Pool side.

Throughout the annual pamphlet war, one recurrent accusation levelled by the grain trade was that the Pools' final realized price at Fort William fell short of the average cash price for the year. To support this charge, the trade calculated the simple average of each day's cash closing price on the Exchange for the whole year. In 1925/26 this average came to \$1.51 per bushel compared with

the Pool final realized price of \$1.45; in 1926/27, it was \$1.46 compared with the Pool's \$1.42. The Pools scoffed at these comparisons as naive, pointing out that no wheat was ever delivered in equal daily or monthly installments, and so one could not use the simple average price as a basis of comparison between Pool and non-Pool returns. An accurate measurement of price, they said, had to be an average weighted by the quantities of grain actually sold.<sup>65</sup>

While their rebuttal to the trade on this score was valid, the argument was not quite so "naive" as the Pools claimed. It was, after all, on grounds that their own sales were evenly distributed, as comments from Wilson quoted earlier show, that the Pools seemed to base their own claims to have achieved orderly marketing. Even more damning, the Pool propaganda had identified, as one of the advantages of centralized selling, the ability to sell at peak prices: as the mythical poet "Scoop" had put it, "We've the bulge." The trade figures showed that the Pools not only failed to get "the bulge," they did not even get the average. They could have done better than they did following the cruder strategy which they pooh-poohed as "naive."

Within a couple of years, the annual pamphlet war conformed to a fairly regular format, with both sides publishing graphs and tables alleged to prove its case. The

Pool publication of 1927/28 was the most complete example of their argumentation.<sup>66</sup> It was a fold-out pamphlet approximately equivalent to just over six 8-1/2 by 11 inch pages. The centrepiece of the publication comprised four graphs, reproduced here as Exhibits VIII-9 to VIII-12, portraying the Pool realized price at the Lakehead against the curve of weekly averages of cash prices on the Winnipeg Exchange (Exhibit VIII-9) and three graphs showing the street prices as paid by the provincial organizations against the published street prices of the Northwest Line Elevator Association.

While the precise comparison of the Pool average price of \$1.45, with the simple average of the Exchange cash prices (represented by the curve on Exhibit VIII-9), was not made in the accompanying text, the comparison was implicit in the visual portrayal. The gross Pool price lay above the cash price for a respectable proportion of the year and visually seemed to bear a reasonable relationship to the open market prices.

Far more interesting - and far more relevant from the producers' point of view - were the comparisons of prices at the street level in Exhibits VIII-10 to VIII-12, because these represented what farmers actually put in their pockets. These three charts were billed as accurate

representations of the prices paid to producers upon the delivery of No. 3 Northern wheat to country elevators. The curves were the weekly averages of street prices put out by the Western Grain Elevator Association for the guidance of its members. There are also two straight lines. The higher one in each case is the sum of the initial, interim and final payments paid by the Pool organizations in each province; the lower one is the Pool's assessment of the non-Pool street price, and is a weighted average, taking the daily street price weighted by the daily deliveries to country elevators. The monthly deliveries are shown on the graph.

The calculations which yielded the Pool price line in Exhibit VIII-10 (the Manitoba figures) were as follows: First, the initial price for No. 3 Northern had been set by the Pools at 92 cents per bushel. From that had to be deducted freight and handling. The representative freight rate for Manitoba was taken at 17 cents per hundred weight, or 10.2 cents per 60 pound bushel; handling charges were set at 2.3 cents per bushel. So the Pool initial price paid to the farmer at the elevator door was 79.5 cents per bushel. The line on the graph was then made up as follows:

Initial price .....	79.5	cents
First interim payment.....	15	cents
Second interim payment ....	11.27	cents
Final payment.....	2.75	cents
Elevator Reserve.....	2	cents
Commercial Reserve.....	1.23	cents
Total.....	111.75	cents

The corresponding non-Pool price was calculated to be 108.9 cents per bushel. The net benefit claimed for the Pool farmer then was the difference between these two, or 2.6 cents per bushel.

Similar calculations were carried out for each of the three provincial organizations, for seven different grades of wheat (Nos. 1 to 6 and Feed), and an historical series was shown in a separate table for Alberta Pool. Table VIII-6 shows data extracted from the publication for Nos. 1 and 3 Northern wheat, for 1927/28 and the historical series for Alberta Pool.

What then can be said about the validity of these comparisons? Can it be accepted that the Pool farmer collected from just over 2 to just under 10 cents per bushel more than the non-Pool farmer, year after year?

TABLE VIII-6

Pools' Assessment of the Higher Return Realized by Pool Customer  
(Selected Data)<sup>67</sup>

1923/24 - 1927/28

Year	Province & Freight Rate	Grade	Grain Trade Price (.....cents/bushel.....)	Pool Price	Benefit to Pool Farmer
23/24	Alta (26c)	No. 1	74.50	79.60	5.10
24/25	Alta (26c)	No. 1	143.75	146.00	2.25
25/26	Alta (26c)	No. 1	119.75	125.13	5.38
26/27	Alta (26c)	No. 1	117.75	123.13	5.38
		No. 3	107.80	112.13	4.33
27/28	Alta (26c)	No. 1	118.75	128.30	9.55
		No. 3	103.50	111.30	7.80
	Sask (22c)	No. 1	120.20	123.30	3.10
		No. 3	103.90	106.30	2.40
	Man (17c)	No. 1	123.30	128.75	5.45
		No. 3	108.90	111.75	2.60

ii) An Assessment

ANYONE WHO HAS STUDIED this price dispute has concluded that it is futile to try to determine which side was "right."

The same conclusion emerges from this study, but for rather different reasons than have been advanced in the past. The issue in fact turns on two matters: the proper treatment and evaluation of the "reserve" deductions; and other factors we have not yet considered which also affect the farmers' price. A full discussion of these questions is deferred until the next chapter, and we will close this section with

some observations on the way the data were presented, and the way the case was argued, as we have seen it so far.

Starting with the Lakehead prices, the Pool gross price plotted in Exhibit VIII-9 at \$1.45 is 2.75 cents above the net price of \$1.42-1/4, the latter being what the Pool Central Selling Agency actually received for the grain basis Fort William after paying the two and three quarter cents for "interest, storage, administration and operating expense." The first question that arises is whether this 2.75 cents should have been added in as a reflection of the value of the wheat at the Lakehead. As we have already seen above, it can be argued that a Pool figure which includes all these charges is inflated relative to the non-Pool price which may not. There is, however, another question here.

Applied to the 222 million bushels which the Agency sold on behalf of the provincial organizations, the 2.75 cents would come to just over \$6.1 million. However, one will not find, in the report of the Central Selling Agency for that year, a precisely corresponding sum. Total storage and interest paid on grain in all positions (including seaboard and overseas) plus "Pool Terminal Charges" paid to Pool terminal elevators "in connection with the raise of grades" (some of which accrued at Vancouver, Prince Rupert and St. Boniface near Winnipeg) plus all the administrative charges

(some of which must have been associated with management of stocks at positions other than the Lakehead) was reported as \$6.45 million. The \$6.1 million therefore seems an inordinately large proportion of the total to be applied at the one location. No doubt there were fully satisfactory reasons for allocating \$6.1 out of a total of \$6.45 million to the Lakehead, but it is important to recognize that such an allocation is to some extent arbitrary, and a great deal more would have to be known about the exact locations at which the wheat left Pool hands to assess whether it was, in this case, reasonable.

There were other assumptions too. Grain is purchased from producers in many different grades. Sometimes, grain of lower grades can be blended up to create more of a higher priced commodity; sometimes, however, what is intrinsically a higher grade, bought in a special category such as damp, or rejected No. 1, is lost to a lower grade. Typically, 30 or 40 grades are bought, while only 8 to 10 are sold. In a pooling system, where the proceeds are distributed back to the producers after the fact, the allocation of the returns to the individual farmers requires arbitrary assumptions to be made. To illustrate, consider the simple example of a country elevator which buys 10,000 bushels of No. 1 and 5000 bushels of No. 2, but ships 12,000 bushels of No. 1 and only 3000 of No. 2. Clearly not all the proceeds of the No. 1

ought to go back to the original sellers, but how much should be diverted to the sellers of No. 2? Various allocations are possible, none of them able to claim absolute superiority over the others.

The problem is enormously compounded when there are eight or ten final grades, 30 or 40 initial grades, and the precise disposition of each bushel cannot be traced through the system. Assumptions must be made, and all the professional skill and integrity of the accounting staff must be brought to bear in making sure the allocations are done fairly and reasonably. But an element of arbitrariness is unavoidable.

Turning next to the street price comparisons in Exhibits VIII-10 to VIII-12, and Table VIII-6, there are three reservations about accepting these figures. First, all the reservations discussed above concerning allocation of pooled returns to individual grades apply with equal force to the street prices. A slightly different allocation of returns might have widened or narrowed the gaps shown in Table VIII-6. Again, one cannot assert that the calculations were made improperly; but it must be appreciated that there is an inevitable arbitrariness to the calculations, and since a different set of assumptions might have either widened or narrowed the gaps, we must treat inferences about a few pennies a bushel with some caution.

Secondly - and this is the most important point at issue in these numbers - there is the question of whether the two reserve figures did, or did not, constitute a real return to farmers. The Pools claimed they did, and had established an account for each farmer to which a proportion of the reserves were credited. But there are very strong arguments to suggest that they were not, and should never have been treated as, returns to farmers.

Dealing first with the commercial reserves, these were set aside as a provision against adverse financial circumstances. If markets were to take an adverse turn (and recall the Pools did not use the price protection mechanisms of the futures market) these funds could be used to tide them over. In short, they were a recognition of, and provision for, the costs of risk.

The fact that the commercial reserve fund had been established was an absolute recognition by the Pools that there was a cost of risk which had to be borne. Arguably, then, it was insupportable to turn around and credit to farmers as a return, what had been set aside to cover these costs.

Moreover, as the events of 1929 proved with devastating effect, the Pools had grossly underestimated these costs.

Not only were the funds which had been set aside over five years of successful operation wiped out in one disastrous season, they also proved totally inadequate to the occasion. Pool farmers spent many years subsequent to 1929 paying off Provincial loans that were made to salvage the organizations after the debacle of 1929. Non-pool farmers never incurred these costs, because the cost of risk, as explained earlier, had been borne by speculators. It is arguable that, not only the commercial reserves themselves, but some larger figure should have been deducted from the Pools' alleged return to the farmer.

The elevator reserves were a more ambiguous matter. These monies were set aside and used for investment in an elevator system. The elevators then became the property of the farmers - albeit their property in much the same way as Petro-Canada is the property of Canadians today: irredeemable as cash in hand. Nevertheless, the argument can be made that the figures laid before farmers in Table VIII-6 as their returns, did not represent the true costs of handling Pool grain. The true costs of handling Pool wheat were higher by at least the amount of the elevator reserves (and in Manitoba, as we shall see, by a good deal more).

Certainly it was true that the farmers never saw a penny of the elevator reserves in their pockets, and they did not

take home from the elevator door the sums shown in Table VIII-6 as did the non-Pool customers. Accordingly, price figures deducting these reserves from the Pool customer returns could be put forward with equal if not greater claim to validity than those shown above.

The third reservation is this: it must be recognized that part of the calculated benefit to the Pool farmer was in fact nothing more than a return on an interest free loan of approximately one third of the value of the grain that the farmers made to the Pool organizations for a period of about six months. In 1927/28, for example, the non-Pool farmers received the full amount of their (approximately) \$1.20 per bushel immediately on delivery. The Pool farmers received only 79 cents or so; they waited up to a year before they received the rest through the interim and final payments. Roughly speaking, at an interest rate of 7%, and assuming a deferral of 40 cents of the payment for six months, the Pool organizations would have avoided carrying costs of about 1.5 cents per bushel relative to the grain trade.

If the reserve funds, and a 1.5 cent allowance for the avoidance of carrying costs are deducted from the Pool prices, the net benefits claimed by the Pools decrease to the figures shown in Table VIII-7 - i.e., very marginal benefits in most cases, and losses in others.

**TABLE VIII-7**  
**Differences Between Pool and Non-Pool Returns, With Reserves and**  
**Carrying Charges Deducted<sup>aa</sup>**  
**1923/24 - 1927/28**

Year	Province & Freight Rate	Grade	Assumed Benefit to Pool Farmer (.....cents/bushel.....)	Less Reserves & Carry- ing Costs	Benefit or Loss to Pool Farmer
23/24	Alta (26c)	No. 1	5.10	2.11	2.99
24/25	Alta (26c)	No. 1	2.25	4.16	-1.99
25/26	Alta (26c)	No. 1	5.38	3.55	1.83
26/27	Alta (26c)	No. 1	5.38	4.65	0.73
		No. 3	4.33	4.65	-0.32
27/28	Alta (26c)	No. 1	9.55	4.55	5.00
		No. 3	7.80	4.55	3.25
	Sask (22c)	No. 1	3.10	4.70	-1.60
		No. 3	2.40	4.70	-2.30
	Man (17c)	No. 1	5.45	4.73	0.72
		No. 3	2.60	4.73	-2.13

The foregoing cannot be considered a definitive analysis of the price dispute between the Pools and private grain trade *circa* 1924 to 1928. And indeed, one is forced, like Fowke, to the conclusion that the attempt to uncover the truth about this dispute is futile. Not however, for Fowke's reasons. The futility lies not only in the difficulty of determining precisely what the farmer took away in cash from the elevator door, but also in the fact that the full story is not told in cash returns alone; it also entails matters which we have not yet considered, *viz.*, grade, dockage and weight. It must be appreciated that the return to the farmer was not just a question of whether he

was paid \$1.20 or \$1.25 for a bushel of No. 1 Northern, but also a question of whether what the Pool bought as a bushel of No. 2 Northern might have been bought by a competitor as 1.03 bushels of No. 1 Northern. And that question brings us to one of the most fascinating and revealing incidents of the debate between the grain trade and Pools, namely the Williams Royal Commission of 1931.

The Williams Commission is one of three events which are dealt with in the next chapter. However, this discussion of the Pool versus non-Pool price dispute cannot be closed without bringing in some factors which were highlighted by findings of this Commission, and so we will return briefly to this issue later.

## CHAPTER IX

### THE MAKING OF THE MYTH

The Williams Royal Commission, the Dispute with the Consumer Cooperatives, and the McFarland Experience

... every incident has two possible interpretations, the plausible and the one that is molded to suit the making of the myth. Man is a romantic at heart and will always put aside dull plodding reason for the excitement of an enigma. ... mystery, not logic, is what gives us hope and keeps us believing in a force greater than our own insignificance.

*Bryce Courtney*

WE TURN NOW TO THREE EVENTS which have a two-fold importance for the arguments developed in this study. First, they demonstrate with particular clarity how one's ideology affects one's perception of social reality. In each case, the same event was seen from a radically different perspective by the farmers than it was by others (the grain trade in two cases, and their consumer counterparts in the cooperative movement in the third.) Second, they all illustrate the degree to which the Pools were blind to the impact of their own self-interest on their perceptions and actions. In each case, their interpretation of the event was, as Courtney put it, "molded to suit the making of the myth" - to reinforcing the image of themselves as selfless

democrats freed by the Rochdale rules from the corrupting effects of profit, and acting solely for the public good.

The three events are, the Williams Royal Commission, the dispute between the Pools and the British consumer cooperative movement, and the so-called "stabilization" activities of John McFarland in the early 1930's. We will deal with each of these in turn.

IN BRIEF, THE WILLIAMS ROYAL COMMISSION was a provincial inquiry into the affairs of Manitoba Pool, and was initiated in response to a series of four charges brought by the general manager of the Alberta Pacific Grain Company, J.R. Murray. He had been a senior manager with United Grain Growers, the Secretary of the Winnipeg Grain Exchange, and was later to become Chief Commissioner of the Canadian Wheat Board. On March 11, 1931, Murray addressed an open letter to Premier Bracken of Manitoba, accusing Manitoba Pool of "foisting" an expensive system of country elevators onto their farmer members, of taxing Pool members to pay for these elevators through excessive overages, under grading,<sup>1</sup> and special year end charges, and of concealing the true costs of the elevator system from them. The Williams Commission found these charges to be proved, but the Pool rejected Williams' report as a slur on the its good name by

an urbanite who simply failed to understand what the Pool was all about.

The Williams Commission not only illustrates the points referred to above (the effect of ideological perspective and blindness to self-interest), but it is also a good story in itself which sheds an entirely new light on the question of whether the Pools corrected the shady practices attributed to the grain trade in regard to weights and grades. Moreover, it again confronts us with the issue of what constitutes empirical evidence, and it illustrates something of Reinhold Niebuhr's "irony of history" within which virtue are sometimes confounded.

A little background on the Pool's development of their respective elevator systems is necessary to put the Commission into perspective.

Almost immediately upon their formation, the Pools began to argue for the necessity of Pool owned elevators. The Pool had to acquire its own system, they said, to give them adequate control over shipping of Pool grain, to allow handling revenues to accrue to the Pools, to preserve the identity of Pool grain, to operate elevators for service rather than profit, and to have terminal earnings accrue to the Pool rather than the private trade.<sup>2</sup> But beyond these,

the reason most extensively advanced was the long-standing concern of farmers for honest weights and grades.

The decision to build Pool elevators followed on the heels of a dispute with both the Saskatchewan Cooperative Elevator Company and United Grain Growers as to whether these companies might not handle the deliveries of Pool grain at towns where they were located, thus avoiding duplication of facilities. These negotiations stretched over approximately a year, and eventually had very different outcomes for the two old line farmer companies. In early 1926, the Saskatchewan company was bought by the Saskatchewan Pool; but despite several attempts at a take-over, and several years of discussion at annual meetings, the UGG delegates in the fall of 1926 defeated a motion for sale to the Pools by a margin of four to one, and the issue did not arise again.

It is safe to say that the collapse of negotiations with the two older farmer companies centred on the intransigence of the Pools with respect to the exclusive use of elevators for Pool grain. At the UGG annual meeting of 1925, the delegates had passed a resolution urging that avenues of cooperation between themselves and the Pools continue to be explored. The *Scoop Shovel* scorned this overture, editorializing "that the farmers of these prairie provinces

having established an honest-to-goodness co-operative marketing system are making good and sure that it is not going to be imperilled by any reactionary influences."<sup>3</sup> For those who had not the time to read the editorial, there was the inevitable cartoon. (Exhibit IX-1)<sup>4</sup>

Further negotiations took place pursuant to the UGG resolution, but they availed nothing. In an exchange of correspondence on the matter, Colin Burnell, President of Manitoba Pool, wrote to UGG President Thomas Crerar in April of 1926 stating that UGG and the Pool "represent two systems of grain marketing so fundamentally different as to render amalgamation impossible."<sup>5</sup>

In vain, Crerar replied that amalgamation was not the issue, but rather accommodating the needs of both Pool and non-Pool customers. He pointed out that 58 percent of UGG receipts in Manitoba were of non-Pool grain, and that while the owners of that 58 percent had clearly indicated their wish to market their grain through farmer owned facilities, they were not yet convinced that they wanted to market through the Pools. "Is it not a sensible thing, therefore," wrote Crerar, "to work out a plan whereby as much pool grain and non-pool grain as possible may be marketed through farmers' organizations?"<sup>6</sup>

The Pool replied through the pages of the *Scoop Shovel*, publicly stating the position which Burnell had conveyed privately to Crerar:

We feel that the Pool system of marketing is so fundamentally different to the system represented by the U.G.G. that it is wholly impracticable to make the two systems operate as one in the running of elevators. We wish to operate the elevators as service machines, as a means to an end in better marketing, and not as profit-making concerns as they are operated by the ordinary grain companies.<sup>7</sup>

With the collapse of negotiations, Manitoba Pool, in common with its sister organizations, undertook an elevator construction and purchase programme to give them the control of Pool grain which they felt they needed. Over the next two years, they developed a policy under which an elevator would be leased or bought if certain acreages were signed up: to lease an elevator, 4500 acres were to be contracted; to purchase or build a "standard" elevator, 7000 acres; to build a larger elevator where the volume of grain could not be handled by a standard house, 10,000 acres.<sup>8</sup>

Working under this policy, a total of 155 elevator associations were formed by 1929, as follows:

1925	6
1926	22
1927	30
1928	85
1929	12

It should be noted here that the Manitoba Pool was organized differently than the Alberta and Saskatchewan bodies in that each of its elevators was owned independently by a local association rather than by the central elevator subsidiary of the Pool. Thus profit and loss accrued directly to the local, and there was no possibility, as with the other Pools, UGG and the line companies, of facilities with a low handling being carried by the rest of the line until volumes rose to a profitable level.

It was against this background that a United Grain Growers shareholder wrote to UGG's Murray in 1928 asking his opinion about the wisdom of signing up for a Pool elevator. To this request, Murray delivered an extensively researched reply, which he and the Company thought of sufficient interest to disseminate to about 700 of its shareholders throughout Manitoba. Since this letter was in fact the first statement of the charges which Williams was asked to investigate, and was the starting point for his inquiry, it would be well to move ahead to the Royal Commission itself.

By 1931, Murray had left UGG, and after a short stint as Secretary to the Winnipeg Grain Exchange, had become Manager of the Alberta Pacific Grain Company in Calgary. On March 11, 1931 Murray addressed his open letter to Premier Bracken of Manitoba making the following four charges:

(1) Units of the most expensive system of country elevators ever built in Western Canada have been foisted on farmers at many points ... where they never should have been built, and where there was no reasonable chance of their being anything but a burden on the local members. (2) Through the operation of the compulsory delivery contract, members at a number of points have been taxed through excessive overages and under-grading ... to meet the extravagantly high expenses. (3) The financial statements supplied to the local associations by the Manitoba Pool Elevators, Limited, have never shown clearly to the members just how much per bushel the expenses amounted to on their grain, and what they have contributed through overages and under-grading. (4) Many of the elevators cannot meet their expenses and the overhead charges if the farmers delivering their grain to them are given a deal equal to what they can get at any competing elevator. 9

Elaborating, Murray charged that farmers had been "enveigled into forming elevator associations" by "hopes impossible of fulfillment [being] dangled before their eyes" by the Pool, which "gave them no peace until they had signed up for an elevator." Moreover, once they had signed, the five year binding contract signed by Pool members denied them competitive bids for their grain.

Nor was this all. The losses had been concealed, partly "by lavish expenditure of money (extracted from the farmers) on propaganda work," but more seriously because, after 1928, "financial statements ... have not been filed with the Registrar of Co-operative Societies" as was required by law. To Murray it was "a fair assumption that the Pool management was afraid to have the 1929 and 1930 figures analyzed."

All these things might have properly been left as matters between the Pool and its members, but, having bankrupted itself, the Pool was now being backed to the tune of \$3.5 million by the Province, and moreover was out on public platforms calling for a "100 Percent Pool" so that "the rest of the farmers would be turned over to their tender mercies."<sup>10</sup>

What made these charges so damning was not the blunt terms in which Murray expressed them, but rather that they were the self-same charges that the Pools had leveled against the private grain companies. Indeed, entered into the Commission as an Exhibit, and referred to in the final report, was the cartoon featured here as Exhibit IX-2. In the bottom left, slain, along with the speculators and profits by the serried ranks of the organized farmers, can be seen the serpent of overages.<sup>11</sup> Moreover, the Pools had specifically stated that such practices would be eliminated by Pool elevators. "The [Pool] agent or operator is your employee," said the Alberta booklet *Wheat Pool Lectures*, "and realizes that unfair weights and grades are your personal loss," and that he "would be as unpopular with the members, and also with the management, if he produced a large overage in weights or gain in grades as an agent for a line elevator company would be, with his management, if he

produced a shortage [or loss]."<sup>12</sup> The charge of concealment was just as serious given the long-standing complaint about the secretive practices of the Grain Exchange.

The Bracken government would not have responded to charges laid by an individual if Pool President Burnell had not reacted immediately, calling for an inquiry to clear the Pool's name. So on March 16, Esten Kenneth Williams, K.C., was named as a Royal Commission to investigate Murray's charges. Williams was a Winnipeg lawyer, a member of the firm of Aikens, Loftus, Aikens, Williams and MacAuley, a lecturer at the University of Manitoba, and an active member of the Canadian Bar Association's committee on comparative provincial legislation and law reform. He was "known politically as an Independent Conservative."<sup>13</sup>

The basis of the first two charges dealt with by Williams had been laid in the January 29, 1929 letter from Murray to the UGG shareholder regarding the wisdom of signing up for a Pool elevator. The substance of the letter was an analysis of costs and revenues for the year 1927/28 at 16 Pool elevators. Detailed figures were not presented for each elevator, but the analysis portrayed the range of financial experience obtaining at the whole 16. Of these, said Murray, seven had operated at a loss, and at these points, the members had had to make up the deficits through extra

deductions from the interim or final payments. Two appended letters under Pool Manager R. Mahoney's signature substantiated deductions at two elevators of 5 and 6 cents per bushel respectively to cover elevator shortfalls. Other parts of the letter made reference to the question of grade and weight gains, suggesting that "members must have contributed in this way," because:

Elevator agents, operating Pool elevators [and knowing] their customers ... must deliver their grain to that elevator for five years, are under no competitive necessity to take any chance in their grading. The results, therefore, could be expected to be profitable to the elevator ...<sup>14</sup>

Neither the pen of editor Hull, nor the brushes of cartoonist Russenholt had lain idle when news of this letter came back to head office. "Skilful manipulation of half-truths" on elevators singled out "for the special purposes of the writer", fumed Hull, illustrating the alleged purpose with the accompanying cartoon. (Exhibit IX-3.)<sup>15</sup>

UGG immediately issued a pamphlet denying that the 16 elevators had been specially selected, and submitting additional figures showing how the 16 were representative of the whole: 9 out of 16 not meeting expenses in the sample, compared with 35 out of 58 in the whole system; extra deductions made from producers' final payments at 8 out of 16, compared with 26 out of 58; these extra deductions exceeding \$2000 at 4 out of 16 compared with 11 out of 58.<sup>16</sup>

In his final report, made public in June of 1931, Williams dealt with Murray's four charges seriatim. In dealing with the first - that expensive units had been foisted on farmers - he also addressed the question of whether words like "foisted" and "enveigled" had been justly used. Had the educational and promotional campaigns of the Pool fairly and honestly represented to producers the benefits to be derived from a Pool elevator, and had they accurately presented the financial results obtained at existing Pool elevators?

To examine these questions, Williams focussed his attention on certain "specific statements" made by the Pool, the first of which made reference to what the Pool's promotional campaign termed "invisible earnings," particularly at the Roblin, Manitoba elevator which was held to be representative. These earnings were alleged to arise from such things as the raising of grades through cleaning the grain in the country elevator, and the return of screenings (i.e. the material cleaned out of the grain) to producers for livestock feeding. Through these invisible earnings, said Mahoney, "a greater commercial wealth" of \$20,000 to \$25,000 "was made right at Roblin and was never taken away from farmers."<sup>17</sup> The trouble with Mahoney's statements about these invisible earnings at Roblin was that

he had made this claim three times for the same crop year, and by the third telling, the invisible savings had somehow grown from \$6000 in August 1926 to \$25,000 by May 1927. To Williams, Mahoney's account of this growth,

is not satisfactory. He admits that these statements were intended to have and would have an influence upon persons signing elevator contracts, and were put forth to stimulate interest in the campaign. He said the figures were only approximate, and suggests a margin of ten or fifteen percent of approximation. Even making allowances for this and for his explanations, I do not think the statement could be justified."<sup>18</sup>

Williams dealt with ten such "specific statements" in the promotional campaign, in each case asking whether or not the material had been presented honestly, or whether extravagant claims had been made which justified Murray's word, "enveigle." Of these dozen the following were probably the more notable:

- In August 1926, the *Scoop Shovel* claimed that the handling charge deducted from members of 2 - 1/3 cents per bushel covered all elevation costs. This, it will be recalled, was the handling cost which Manitoba Pool showed as being deducted from the price of No. 3 Northern wheat in its comparison of Pool and non-Pool prices. In contrast, the Commission's auditor calculated handling costs as high as 3 and 4 cents per bushel.

- In December of 1927, the *Scoop Shovel* referred to surpluses generated at some elevators over a two year period, but in describing them, gave "the general impression that every elevator association had a surplus, and that the surplus was the result of one year's operations." This was shown by Williams to be patently false (see below), but was "admitted by the General Manager" to be an inducement to sign elevator contracts.

- In August of 1928, a *Scoop Shovel* article admitted deficits would be incurred at some points, but claimed that it was only "the exceptional point which showed a loss." In fact 21 out of 56 points had deficits and "these 'small' deficits ran from \$528.63 to \$5,961.43."

- A February 1929 *Scoop Shovel* article, stated that, in 1927/28, "56 elevator Associations paid back to their members \$55,000 after paying all expenses, including the payment on the elevator in each case." Williams commented:

Mr. Mahoney says of this statement that "literally it is not probably correct." It is not only "not probably correct," it is untrue. Each of the 56 Associations did not pay money back to its members. It has just been shown that 21 of them did not meet their obligations in 1927-28 and that an assessment was made on their members.

Having reviewed these elements of the promotional campaign, Williams then turned to the charge itself, viz., that the Pool elevators were over-built and therefore too expensive.

First examining the elevator policy which had originally required 10,000 acres to be signed up in order to build a "standard" 30,000 bushel capacity houses at \$13,000 each, Williams found that this policy "was quickly lost sight of." Flushed with early success at one or two stations, the Pool began building larger and more expensive facilities: 55 elevators of 40,000 bushel capacity; 50 at 50,000 bushel capacity; a total of 122 elevators built at an average cost of almost \$22 thousand each. Moreover, at 60 points where the contracted acreage was only 7000 to 8000 acres, 40 had elevators costing over \$20,000 apiece.<sup>19</sup>

He concluded that the Pool had indeed built a system of elevators that were larger and more elaborately equipped, and hence that were much more costly, than was intended by the elevator policy. Although Williams thought that the Directors at no time deliberately intended to mislead, they had proceeded without due caution, and "being responsible for the policy and for the educational campaign, which never slackened, must take full responsibility for the construction of all these elevators."

In the light of his findings, Williams found the first charge "substantially proved."

The second charge - that the resulting financial losses were covered by overdocking, short weights and undergrading - is easily the most serious of the four because of the long and intensive campaign of the farm organizations for fair weights and grades from the private elevator companies.

Beginning with weight gains, Williams first distinguished between a gross overage, which results from "underweighing the farmer's grain" and a net overage, arising "when too much dockage is taken."<sup>20</sup> The former of these had been dealt with at some length by the Turgeon Royal Commission of 1925, from which Williams took some extensive quotations to illustrate how gross overages could arise. The first technique was known as "taking the break of the beam." The meaning of this term requires some explanation.

In weighing the farmer's truckload of grain, the beam of the scale (i.e., the graduated bar along which the counterweight is moved) is brought to a balanced position by moving the counterweight until the beam rests in a perfectly horizontal position. However, if the counterweight is not advanced quite far enough along the beam, it will point slightly upward, and the weight indicated on the scale will

be somewhat less than the true weight of the load on the scale. Similarly, if they are advanced too far, the beam will point slightly downward, and the measured weight will be slightly more than the true weight. The free end of the beam is able to move perhaps an inch upwards or downwards, and the term, "break of the beam" refers to the amount by which the counterweights had to be advanced to make the beam swing from the top to the bottom of its free movement. By weighing the laden truck with the beam slanted upwards, and the empty truck with it slanted downwards, the actual weight of grain delivered can be underestimated by as much as 5 to 10 pounds.<sup>21</sup>

This practice had been justified by the elevator companies up to the time of the Turgeon Commission to allow for the fact that a certain amount of grain was inevitably lost in handling. But during the course of Turgeon's hearings, the Board of Grain Commissioners issued a regulation allowing the companies to deduct a "shrinkage allowance" to provide for this loss, and Turgeon had concluded that "no excuse can be urged" for the practice to continue.

The second way of securing a gross overage, was to make shrewd use of rounding and truncating numbers. Pool General Manager Mahoney's evidence on this practice was quoted by

Williams in his final report. The elevator operator, said Mahoney,

is apt to take the odd pounds occurring in weighing. If a load weighs 6,287 pounds he is apt to put down 6,280 pounds. If the wagon weighs 1,283 pounds he is apt to put down 1,290.<sup>22</sup>

Net overages occur when the amount of "dockage" - weed seeds, dirt, other grains etc. - is overestimated. Dockage might be estimated by the elevator operator at four percent, whereas a more precise determination might make it only three percent.

Grade gains were the other source of excess earnings referred to in Murray's second charge. Characteristics of the various grades of grain (in wheat, No. 1 Northern, No. 2 Northern, etc.) were established by the Board of Grain Commissioners each year, depending on the precise characteristics of the crop. Undergrading, simply put, was telling the farmer that his grade was lower than it actually was, and paying him the lower price. But this simple description of undergrading does not encompass the reality.

Consider first the situation where much of the wheat from a particular area might be well above the standards of a specific grade. If the standard for No. 1 Northern were 63 pounds per bushel, but the grain in the area averaged 65, some wheat of lighter weight, otherwise making the grade, could be mixed into the heavier product without adversely

affecting overall quality. What grade then should be given to the farmer delivering this lighter material? The grain would clearly be a No. 2, and would be so graded even by government inspectors. In this case, the elevator manager had a choice: pay the farmer for the lower grade (which is what the grain would actually grade) and pocket the gain; or give the farmer the benefit, and pay him for the higher grade. Although the latter seems the "fairer" thing to do, it must be remembered that the elevator manager always risked losing a whole rail car load to a lower grade if he blended in too much. Moreover, if he paid a farmer a higher price for a lower grade one day, how could he explain failing to pay the same for identical grain a few days later when his ability to blend might be less? The ethics of "fair grading" was never as clear on the elevator driveway as the farmers thought it was.

Blending in country elevators was (and still is) an important competitive tool because the more skilful operator could give his customers more of the the benefit of blending, and thus attract more deliveries to his plant. Turgeon found that elevator companies consistently lost on grades, "due partly to the lack of expert ability on the part of the agents, and partly to the competition for trade which exists at country points."<sup>23</sup> But, as Murray pointed out, Pool elevators did not face this competitive pressure

because of the the binding five year contract of the pooling system.

In coming to his decision on this charge, Williams took several lines of inquiry and argument:

First, he noted the above mentioned findings of Justice Turgeon that grade losses were the norm in the trade. However, in contrast to this norm, he found that "in almost every case the Pool elevator had substantial grade gains."<sup>24</sup>

Second, he observed that the instructions put out by the Pool to its agents regarding weight and grade gains made it clear that there was no explicit policy to extract such gains. Indeed these instructions always stressed the need for "operating on a business basis." But, he discovered, there were disturbing counter-suggestions from time to time that a surplus would not be unwelcome because it would put a good face on the operations for the local Association. Williams concluded: "I will only say here that far from combatting the 'Dragon' Overages no attempt was made to see that the recommendations of the Turgeon Report of the regulations of the Board of Grain Commissioners were carried out."<sup>25</sup>

Third, he examined the Pool's chief line of defense with regard to these gains which was that they all went back to

the producers anyway. This argument he dismissed as "entirely fallacious" in that the overage would be taken from certain individuals but would be returned *pro rata* to all. In this matter, Williams took exactly the position adopted by the Alberta Pool in their 1927 pamphlet cited above, and indeed the position that Mahoney himself had taken earlier with his elevator operators. While grade and weight gains do go back to all growers at a point, Mahoney had said in a circular letter to his managers, it is an individual loss at the expense of the whole group.<sup>26</sup>

Fourth, Williams investigated at length the importance to the Pool Directors of avoiding losses. The gains, he said, were at first "obtained unintentionally" as far as the Board was concerned, and by the operators only because they wished to avoid losses and were convinced of the soundness of the argument that gains went back to the farmers anyway. But soon, overages came to be accepted as an important element in covering losses from the imprudent construction policies. Williams concluded that "no steps were taken" to halt the practices "because it was desired to avoid wherever possible making assessments on the members of the local associations [to cover operating losses] at the end of the year." Covering operating losses through excessive overages was far less obvious to the membership than levying year end charges, and accordingly, the practice continued and was

rationalized on the grounds that such overages redounded to the producers' benefit.<sup>27</sup> This was not a trivial item in the Pool's financial results. Williams examined the statements of 149 elevators for the 1929 crop year, and found that 80 of these had had losses turned to profit by the application of the overages.

Finally, bulking large in Williams' thinking were the results of a comparison of weight gains realized by the Manitoba Pool with those made by UGG and by three other line elevator companies. The data were compiled by the Board of Grain Commissioners, and were presented as Appendix A to the Report. The following figures are calculated from the Appendix A material:<sup>28</sup>

	Instances of Overages:			<u>Total</u>
	Short or <u>even</u>	Overages up to <u>1-1/2%</u>	Overages over <u>1-1/2%</u>	
Pool	33	262	61	356
UGG	58	145	10	213
Line Co.'s	168	457	14	639

These data show that, whereas UGG and the line companies were either even or short about 27 percent of the time, the Pool was even or short only 9% of the time; similarly, whereas overages in excess of one and one-half percent occurred in UGG and line elevators 5 and 2 percent of the time respectively, the Pool realized overages in excess of this figure 17 percent of the time.

On the strength of these points of argument, the data analyzed and the evidence presented, Justice Williams found the second charge proved.

Although less grave than the second charge, the third was itself not trivial. Williams' treatment began by quoting both the charge itself and a second salient paragraph from Murray's letter.

"(3) The financial statements supplied to the Local Associations by the Manitoba Pool Elevators Limited have never shown clearly to the members just how much per bushel the expenses amounted to on their grain and what they have contributed through overages and under-grading."

In addition, I will consider under this charge the following statement taken from Mr. Murray's letter to the Premier:

"Since 1928 financial statements for each elevator have not been filed yearly with the Registrar of Co-operative Societies ... A consolidated statement for each year has been substituted. It can, I think, be considered a fair assumption that the Pool management were afraid to have the 1929 and 1930 figures analyzed as were those for 1928, and for this reason changed the method of making reports."<sup>29</sup>

The obvious irony here of course is that the grain trade for many years before had been condemned precisely on the grounds of secrecy, whereas the Pool directors prided themselves on being entirely open and above board with their members. In fact, during the same month that Williams heard evidence on Manitoba Pool's concealment of key facts from its members, Sir Josiah Stamp, in the same city, heard A.J. McPhail claim that farmers lacked proof of the Exchange

operating to their detriment "because there are no facts or records available to them ... on which to base a really intelligent study of the whole question." This demand for disclosure runs like a red thread through producer complaints about the grain trade from the time that Edward Partridge referred to the Grain Exchange as the "house of the closed shutters."

Murray's charge here fell into two parts, viz.: that the members were not told the cost per bushel of handling; and that they were not told how much of the elevator's costs were covered through grade gains and overages. Williams dealt with the two aspects separately. The case as far as the cost per bushel was concerned, was clear cut: this information was not in the financial statements, and this was admitted during the hearings. The interesting thing is why the Pool felt this figure should not be disclosed.

The Pool defense was encapsulated in the evidence given by its auditor, and centred on the fact that cost per bushel varies up and down in reverse proportion to handling. Because a large part of the costs are independent of volume, a large volume means a low per bushel cost, and a low volume, a high one. To the Pool auditor, the cost per bushel,

might be of interest to some [farmers] of a mathematical turn of mind, but I think it would require a man to have a broad idea of

figures before he could see the connection between these two [and] I don't think I would be very keen about showing them in a financial statement.<sup>30</sup>

However, as Williams pointed, "the educational campaign contained repeated references to the cost of handling per bushel, that [members'] deductions were made on that basis ... and the whole structure of the Pool organization was said to be based on service at cost." Accordingly, said Williams, "members of the Local Associations should have been given this information."<sup>31</sup>

The question of overages and grade gains was a little more ambiguous. Williams found Murray's charges to be quite valid, that the accounts provided to the Local Associations concealed from members the proportion of the elevator's costs covered by these gains. However, apparently some members were curious to have this information, and so "an approximate statement" was made up after each weigh-over of the stocks in store, and this information was available at the annual meeting of the local association if anyone asked. But it was not provided unless asked for, and was certainly not contained in the financial statements.

Williams therefore found the charge "proved as laid, but not proved in part in matter of substance."<sup>32</sup>

Williams then dealt separately with the related issue of the statements lodged with the Registrar of Cooperatives.

And what an interesting tale this turned out to be! The sum and substance of the story was as follows.

Subsequent to the publication of the UGG "Statement" containing Murray's analysis of the 1927/28 financial results of the 58 Pool elevators, H.L. Griffin, a UGG employee went to the Registrar's office asking to see the statements for the 1929/30 fiscal year. The returns had not yet been filed, and he was asked to return later. What Griffin was not told was that, not only had no return been made for the 1929/30 year, none had been made for 1928/29 either.

After Griffin's visit, Registrar J.W. Ward immediately wrote to the Pool, informing them of Griffin's interest, and asking whether they had any views on the disclosure of the information. Although Ward said in the letter that he had to be impartial, it is clear from Williams' account, that Ward leant heavily in the direction of protecting the Pool from the scrutiny demanded by the Act. By his own testimony, he wished to protect the Pool, claiming that the Act required him to be an adviser to the cooperative organizations, and accordingly:

I threw out hints to the people at the Pool. I would do the same thing for any Co-operative Association that I knew somebody was after them, and advise them on the matter, and endeavor to help them to be in as a good a position as possible to meet any criticism that might be made.<sup>33</sup>

Ward continued to protect the Pool from scrutiny by dragging his feet. Although they had complied with the law prior to 1928/29, Mahoney and the Pool auditors studied the legislation afresh and came to the rather astounding opinion that "the requirements of the Act are too meticulous."<sup>34</sup> They therefore decided that a consolidated statement covering all elevators would suffice. This statement, Williams said bluntly, "did not comply with the Act." Despite its insufficiency, and despite the fact that the information was still not filed, even in the consolidated form, for 1928/29, Ward did nothing to ensure compliance until Griffin again visited the Registrar's office and pointed out that the consolidated statement did not contain the information legally required. Under this provocation Ward finally wrote insisting that the required information be filed, but even then did not follow up.

Given his blatant disregard for the law, Williams was fairly kind to Ward, simply observing that he could not see how the Act, even in giving him an advisory role, "cast any duty upon the Registrar to act as he did."<sup>35</sup>

The Pool actions, both in regard to its partial concealment of the cost per bushel and the grade and weight gain data, and in regard to its failure to file the required

returns with government, led Williams to conclude that indeed the Pool did feel it had something to hide.

From the foregoing statement of facts Mr. Murray would seem to be justified in his assumption that for some reason the Pool management did not wish to have the figures ... analyzed and this assumption is strengthened when it is considered that no attempt was made to file the returns for these two years until the Department pressed for them.<sup>36</sup>

The fourth and last charge made by Murray - that the farmers could have received a better deal at competing elevators - proved to be more difficult to deal with. Williams claimed that he could not understand the purport of the charge, nor could he decide what standards of comparison he might adopt as between the Pool and its competitors. In thus "considering the vagueness of the charge" and recognizing that "the whole method of operation is so different from that of a Line Company", Williams found the last charge not proven.

The report was made public on June 24, and the Pool Board issued a lengthy statement in which they tried to rise above the controversy. "We have no intention of going into the report of Commissioner Williams in detail," began their official statement, but nevertheless they wished their "purpose and position as a board [to] be laid definitely before the public."<sup>37</sup> The statement boiled down to three essential points.

First, they objected to the word "foisted" which Murray used in framing his first charge. They stressed Williams' conclusion that the Pool officials did not start with deceptive designs, and thought "the least Commissioner Williams could have done was definitely to exclude, in his findings, this admittedly unjust accusation."

Second, the statement pointed out that a cooperative operates on different standards than a private company. Thus the Board did not deny that their elevators were more expensive than those of the trade, but claimed that cooperative enterprises "exist not to make profit but to give desirable and feasible services at cost." And while they had "no intention of defending the taking of excessive overages, ... we do still maintain that there is an essential difference between the disposition of overages in a Pool Elevator and those in non-Pool elevators." Overages "do not go back as they were contributed in mathematically exact proportion," they admitted, but neither do patronage dividends in a consumer coop. In summary, they concluded,

the inquiry simply shows that Mr Murray and our Board represent different and irreconcilable attitudes towards the whole question of grain handling and grain marketing, and the place of and function of a country elevator in relation to agricultural betterment. We simply do not agree that Pool Elevators are to be judged exclusively by the standards of the profit-making elevator system. We deny the validity of any such comparison, and we deny the right of the profit-making system to make of itself the standard by which a co-operative system is to be judged.

The third major element in the Pool response was a denial, flying in the face of Williams' findings, that the Pool members were ever anything but fully and accurately informed of the operational and financial details of the Pool elevators.

... they were informed each year on its operations, overages and shortages, grade gains or grade losses, and so on. There was nothing for any person to gain by withholding information; there could be no personal purpose served by evading any aspect of the elevator's position. Never before in the history of Western Canada have the farmers had such an intimate acquaintance with the actual operations of an elevator and such insight into the processes of grain handling.

The Williams Report was released precisely when the much bigger issue of the bankruptcy of all three Provincial Pools was under discussion by the Stamp Commission, and the event seems to have been eclipsed by those activities - which was ironic since it was precisely because of their relevance to the broader questions that Murray made his charges.

The Report was dealt with at a special meeting of Manitoba Pool delegates on July 3rd and 4th, 1931, and press reports referred to an hour long speech delivered by Vice President Paul Bredt on the subject, in which,

he drew a distinction between the urban and the rural mind and said that if Mr. Williams had been delivering grain for the past 25 years to a line elevator, he would take a very different view of the present general situation.<sup>28</sup>

Evidently the delegates agreed with Bredt. Far from being disturbed by the Commission's findings, they passed a resolution of their "entire disapproval of the slur cast upon the Pool Elevator management and Pool Directors." At a later meeting in Brandon on July 30th and 31st, a second resolution was passed complaining that the Report "fail[ed] entirely to appreciate the viewpoint of the Manitoba farmer".<sup>29</sup>

Was Williams as insensitive to the farmers' viewpoint as the Pool Board and delegates assumed? It seems not, for he himself had raised precisely the point made by the Pool Directors' statement in the concluding paragraphs of his report.

It should be observed here that throughout the course of the hearings it was apparent that Counsel for The Elevators Company and Mr. J. R. Murray and his Counsel were approaching the questions involved from two different standpoints. Mr. Murray in making his charges and in giving his evidence dealt with all the matters from the financial standpoint. Counsel for The Elevators Company on the other hand, while not minimizing the importance of the financial aspect and expressing a willingness to meet Mr. Murray on the financial ground, emphasized continuously the fact that the Pool organization was built up upon the Co-operative principle and that service to the members was the primary consideration.

On the other hand, as Williams pointed out, it was the Pool which confused the issue in the first place, for they did not present the proposition to Pool members on the basis of their own ideological assumptions, but on the premises of

*laissez faire*: it was they, and neither Murray nor the grain trade, who invited judgement on the criteria which applied to "a profit making system" by placing the matter before its members as "a business proposition." On what possible grounds could they then object when they were judged on the criteria which they themselves had espoused when soliciting the farmers to build Pool elevators? In his closing paragraphs, Williams put it this way:

For the whole period of the Pool's existence the matter was consistently placed before its members as a business proposition. The extracts quoted throughout this Report show that emphasis was repeatedly laid upon the fact that having and operating Pool elevators was a business proposition and had to be treated as such. With these statements by the Management of the Elevators Company I am in complete accord, although in coming to my conclusions I have endeavoured to give the fullest effect to the argument as to the advantages to be obtained from the services rendered.<sup>40</sup>

Perhaps, indeed, Burnell and his colleagues were not quite as miffed at Williams as they made out. Several years later the third and final inter-war Royal Commission on grain marketing was underway, and none other than E.K. Williams was hired as counsel for the Manitoba Pool.

Before closing this discussion of the Williams Commission, we must return to the issue of the comparison of Pool and non-Pool prices. The Pool claim in that debate was that they merited the support of producers because they could out-perform the private trade: they would return the higher price to the farmers for their grain. They would do

this because they would operate more efficiently, and would operate "at cost," thereby passing middleman profits back to their patrons. In defending their claim, it was they who laid empirical evidence before farmers stating that the total handling cost was 2.3 cents per bushel, and it was they who said that equity in the handling system could be bought for the price of the "elevator reserve" deduction. In fact, for Manitoba Pool at least, these claims were false. The cost of equity was in many cases more, and was made up from overdocking, undergrading, short weights and, in exceptional circumstances, year end levies. In fact, farmers would have received better grades and dockage at competing elevators, would have paid less for handling, and therefore would have gone home with higher returns. These unfortunate facts, however, were overtly concealed in the financial statements, and were certainly not mentioned in the pamphlets that strove to prove that the Pool achieved higher prices.

The Williams Commission provides us with perhaps one of the best and most thoroughly researched collections of hard empirical evidence which seemed to contradict the position which the Pools took in argument, but which seemed to be ignored by farmers.

THE SECOND EVENT WE WILL EXAMINE is the dispute which arose between the Pools and the British consumer coops. There is a particular irony in this dispute in that the Pools, as we saw earlier, were in some ways the offspring of the British movement, and they shared the hope that cooperativism would yield harmonious relations on economic matters. However, to the British movement, the Pools looked uncommonly like a sellers' monopoly whose aim was to gouge the consumer of bread and flour for every cent they could get. And, of course, it must be recognized at the outset that the two groups had opposing interests: the Pools in a higher price for wheat, and the British in a lower.

There were, right from the start, people who foresaw the dangers, although ironically, they were themselves cooperators, and would not for one moment have questioned cooperative idealism. Beatrice Webb, for example, was opposed to producer cooperatives, arguing that they had economic interests peculiar to themselves. On the other hand, she thought that consumer coops would be free from the corruption of self-interest because all people must buy goods for personal use. Others foresaw the dangers, but dismissed them. H.J. May, Secretary of the International Cooperative Alliance, wrote in *The Co-operative News* of Manchester, England:

We do not agree with those who see in the Pools the menace of a monopoly to the disadvantage of the consumer. We hope and believe that the co-operative principle which inspires them will prevent that from arising. But it cannot be denied [that the possibility exists; however it is] a long way off, and the best minds amongst the members of the Pools are emphatic against such a development.<sup>41</sup>

There was prior evidence that the optimism of Henry May, was not going to be sustained in practice, and it had arisen in connection with wartime price controls. In January 1917, MGGA President R.C. Henders criticized business for "making use of the opportunity which the war has afforded capitalists for ... piling up profits," and went on to declare that: "The power to extort surplus is at the root of every economic and social wrong."<sup>42</sup>

A year later, wartime shortages had pushed grain prices to unprecedented levels, and the farm movement had successfully lobbied government to set a price \$2.21 per bushel: almost double the price of \$1.13 which had prevailed in 1916, and fully 91 cents higher than the price which the government had offered farmers when price control was first discussed.

In the Appendix, readers will find data which compare wartime wheat prices with the wholesale price index, and may decide for themselves whether the wartime price was fair. Such judgment aside, here is what Henders had to say about

these events one year after his condemnation of wartime profiteering:

I think it can be safely said that the year now drawing to a close has been productive of great good. Never before have we stood higher in the councils of the nations ... Among the special features of our work ... is the very important meeting held with the minister of trade and commerce in January of last year when our government contemplated fixing a price of \$1.30 per bushel for our 1917 crop. Your representatives were able to make [arrangements] which fixed the maximum price at \$2.21 per bushel."<sup>43</sup>

In short, by engaging in exactly the same kind of behaviour as "the Interests," they had convinced government to raise the controlled price by about 70 percent. Had the farmers, then, engineered for themselves an unearned increment? Or engaged in wartime profiteering? Or achieved economic justice?

The producer-consumer dispute itself arose some ten years later when the Pools set up overseas offices through which they sought to bypass the market and establish "direct contact" with the British milling and baking industry. Since "direct contact" could not physically entail individual farmers sitting down with individual consumers, these overseas offices provided the obvious practical course: democratically elected representatives of producer cooperatives sitting down with democratically elected representatives of consumer cooperatives to negotiate "fair" prices outside the mechanics of the marketplace. Since a

large segment of the British milling and baking industry was cooperatively owned, it was a natural expectation on the part of the Canadians that the British movement would welcome their initiative with open arms. (See Exhibit IX-4.)<sup>44</sup>

It did not work out that way. In 1927, shortly after the overseas offices were opened, *Scoop Shovel* editor John Hull reported Mr. Alexander Buchanan, chairman of the United Co-operative Baking Society of Glasgow, as saying that he had no objection to the Pools wanting a fair price, but "where did the consumer come in?" There had been a surplus of wheat on the market for some ten weeks, said Buchanan, but the price had not fallen. Hull was taken aback by this attitude of his Old Country brethren, and responded indignantly:

Nice kindly co-operative spirit Mr. Buchanan displays! "Where did the consumer come in?" Where, in his co-operative philosophy, does the man who grows the grain come in? Nowhere. He had grown a lot of wheat and he ought to hand it over to the consumer even at less than the cost of production.<sup>45</sup>

In 1928, a group of touring Canadian farmers were again lectured on the consumers' point of view by Buchanan, this time joined by Mr. A.H. Hobley, a buyer for the English Co-operative Wholesale. Hobley thought that the price of Canadian wheat was higher than it would have been without the Pool, and mused that perhaps a cooperative "which simply

means the biggest price [for] Canadian farmers may be, at its worst, a selfish monopoly." Cooperators really could not complain about capitalists organizing for profit, he said, "if we are only out for the same thing." Surely, Hobley suggested, "as a brother in the great British Empire," the Canadian farmer ought "to consider the needs of the working and poorer classes" in the U.K. and Europe.<sup>46</sup>

Not so, said the *Scoop Shovel*: "social justice, like charity, begins at home," and the purpose of the Pools was "to see that the Canadian farmer was not exploited."<sup>47</sup>

Editor Hull returned to the issue in July, this time reiterating the Pools' support for direct contact and negotiation, and expressing the aims with the usual imprecision: "Co-operation stands for a living wage and ... a fair return on capital invested. Price for our farmers should mean that and nothing more." He went on:

When ... our co-operative customers express fears with regard to the effect of the Wheat Pool on wheat prices, they are forgetting some vital co-operative principles ... We will never get anywhere if their attitude is to be: How much cheaper will you sell wheat to us than to others? The plain answer is: Not a cent cheaper. [However] if we agree that as between producers' and consumers' co-operation there are opposing interests that can only be reconciled in a new social order, we will see our duty as co-operators in a clearer light, and there will be no difficulty in maintaining that harmony and that concerted effort in the co-operative movement, which are essential for our common purpose.<sup>48</sup>

The unkindest cut of all came in 1931 when Hobley cabled the Stamp Royal Commission saying that "without free futures

markets great difficulty sellers and buyers come together on price." Hull reported this under the lead, "When is a co-operator not a co-operator?" ending his article with a call for "the proper authorities to repudiate officially Mr. Hobley's anti-co-operative ideas," and for Hobley himself to take a summer course in coop principles.

Hull continued to believe that somehow the conflict between producer and consumer coops arose from the ambiance of the competitive system rather than from conflicting self-interested goals of producers and consumers, and that a "new social order" would change matters. In 1937 he wrote that, within a capitalist system, consumer societies must buy as cheaply as possible and producer societies must sell as dearly as possible, and: "Not until the environment is changed will it be possible to overcome entirely this conflict of purpose."<sup>49</sup> just how the "changed environment" would bring this new harmony about, Hull did not specify.

None of the evident self-interest on either side of this dispute would have surprised Reinhold Niebuhr, nor should it surprise anyone who accepts the validity of Niebuhr's perspectives into the power of self-interest in economic relationships.

THE THIRD SET OF EVENTS were those surrounding the so-called "stabilization" actions carried out by John I. McFarland in the early 1930's. These events were intensively discussed in the 1935 House of Commons Committee hearings on the Grain Board Bill. Some background is necessary to understand what this incident was all about, what occurred during McFarland's operations, and how dramatically opposed were the farm and trade interpretation of these events.

When the Pools came fully into existence in 1924, they operated very differently than did the private grain trade. Hostile as they were to the futures market, and determined to bypass its machinations, they established a very different set of marketing procedures than the trade.

To begin with, they did not use the futures market. Rather, as described in the preceding chapters, they paid their members an "initial price" for their wheat upon delivery, took effective control of the product, and sold it throughout the year at the best market prices they could achieve. Typically, the "initial" price was about two-thirds the anticipated market price over the coming year. When all the wheat under their control had been sold, the proceeds were pooled, expenses deducted, and the remaining funds distributed back to the Pool customers in proportion to their individual deliveries.

Because they did not use the futures market, the Pools had no means to shield themselves against falling prices. The theory was that the farmers collectively took the risk, and if the price at which the goods were sold fell below the "initial" price, the loss on the pool would be shared among the participants just as were the profits. By setting the initial price well below the anticipated final price, there was some margin of safety built in against adverse price fluctuations.

The whole operation was financed by the banks who insisted that the value of inventories exceed the value of the funds advanced by 15 percent. With the initial price at about two-thirds of the market price, this margin seemed to be amply protected.

The system worked well for five years. Then came the crash, beginning in the fall of 1929. The Pools had set their initial price at \$1.00 per bushel at a time when the prevailing price was around \$1.60. By the spring of 1930, prices had dropped to the range of \$1.05 to \$1.10, and the Pools were forced to liquidate some holdings to maintain their margins with the bank.

At the beginning of the 1930/31 crop year, prices were just around the \$1.00 mark and the Pools set the initial at

\$0.60. Even this proved too high. By January, the market was below 60 cents. Moreover, not all of the previous year's crop had been sold, and losses were increasing daily.

With substantial losses looming, the federal government became involved, and the new Prime Minister, R.B. Bennett appointed his friend and former business associate, John McFarland, to take management of the Pools' central selling agency, the Canadian Cooperative Wheat Producers, effective November, 1930.<sup>50</sup>

Prices continued a relentless downward slide for two years, hitting a low of 38 cents per bushel on December 16th 1932. The slide induced McFarland, in consultation with Bennett, to engage in a price support operation which involved buying future contracts on a large scale. It was, in short, a government backed operation to do for producers precisely what they thought the "gamblers and manipulators" had done against them for so many years by "selling short."

Under McFarland's activities, the following events occurred: First, there were shifts in prices and market shares. Between 1933/34 and 1934/35, the price premiums commanded in English markets by Canadian No. 3 Northern wheat over Argentinian wheat widened from an average of about 3 cents per bushel, to an average of about 8 cents per bushel. The Argentine captured a significantly higher

portion of the British market than it had hitherto enjoyed. Moreover, while Canadian carry-overs increased as a percentage of world carry-overs the Argentinian carry over did not.

Second, there was a large decrease in speculative activity on the Winnipeg Exchange. In McFarland's two heaviest buying months of 1933/34 - October and November - the volumes purchased by him approximated the deliveries of grain into primary elevators.<sup>51</sup> This strongly suggests that, as McFarland himself claimed, he was taking all the hedges.<sup>52</sup>

These then were the facts - incontrovertible, observable facts to which everyone agreed. However, the interpretation of these facts differed enormously between the trade and the farm community in three particulars:

First, although both admitted that McFarland had influenced grain prices, they disagreed on what that effect had been.

Second, they held fundamentally opposed views as to the extent to which volume might respond to price and accordingly disagreed as to whether Canadian wheat might have displaced Argentinian wheat if McFarland's programme had not existed.

Third, on the alleged "breakdown" of the market and the flight of speculators, the trade held that government intervention had driven the speculators out, whereas the farmers believed that the disappearance of the speculators had necessitated government intervention.

Let us first look at the position of the private grain trade. In general, they held that price control was impossible to achieve. Prices, they said, were governed by world wide supply and demand, and McFarland's efforts to control price were as misguided as had been the Pools' upon which they thought the whole idea had been based. Said Winnipeg grain trader James Richardson:

The pools were built up on the theory that producers of wheat could practically dictate their own prices to the consumer. That theory I believe to be wrong, not only because it has been proven wrong during the long history of the world, but because pool propagandists inexperienced in the economics of business, have insisted on demonstrating it before our eyes.<sup>53</sup>

They conceded that McFarland had slightly influenced prices, but only to the extent of making Canadian wheat uncompetitive with Argentinian. Richardson claimed that British millers had reduced their grind of Canadian wheats from 45 to 22 percent, and quoted from his communications with overseas customers attesting to the decrease.<sup>54</sup>

Moreover, to Richardson and his colleagues, the market was a dynamic thing which responded in complex ways to price

signals. If McFarland had not monkeyed with the market, Canadian wheat would have remained competitive, and Canadian inventories would not have risen. Canadian wheat would have displaced Argentinian, Argentinian would have displaced French wheats, and somewhere down the quality chain, grain, rather than hay, would have been fed to livestock.

Roy Milner, President of the Grain Exchange agreed that McFarland had raised prices initially, but that the long term effect was counter-productive to the goal of higher prices because, in failing to get rid of the surplus, it overhung the market and depressed prices in subsequent periods.<sup>55</sup>

On the issue of the alleged "breakdown" of the market, and the consequent need for McFarland's support the trade representatives were unanimous. Said Milner:

It has been stated that because the speculators went out of the market the government came in; I am trying to point out here that quite reverse was the case, that speculators will not engage in trade ... so long as there is a large concentrated holding by the government.<sup>56</sup>

The farmers viewed matters entirely differently. Louis Brouillette, President of Saskatchewan Wheat Pool, put the matter succinctly:

Every farmer who has given attention to the situation is now fully aware that if it had not been for the stabilization operations carried on by Mr. John I. McFarland ... the price of wheat might have dropped to even more ruinous levels than it did, particularly in 1932.<sup>57</sup>

Apparently McFarland himself had believed this, writing to Prime Minister Bennett in June of 1932 - even before his massive 63 million bushel purchase in the fall, "what would have happened if we had not stemmed the tide, is hard to say."<sup>58</sup> His assistant, George McIvor, appearing on his behalf before the Committee, supported this view.

While Richardson argued that a centralized marketing body dedicated to sustaining the price would drive buyers away, Brouillette thought this nonsense:

Mr. Ralston and Mr. Chairman, if our nation - if you as a House of Commons - whole-heartedly get behind the establishing of a Wheat Board and you serve notice thereby on the nations of the world that there is strength behind the movement ... then that in itself is a very strengthening factor in as far as the markets of the world are concerned.<sup>59</sup>

Where the grain trade saw the market as a dynamic thing, responding in complex ways to price signals, the farmers' view was of a very static and fixed market which, as they repeated over and over, "will only take so much wheat." Rather than causing a series of displacements through the entire bread wheat, feed grain and staple food complex, dropping the price for Canadian wheat prices would only have induced the Argentinians to follow suit, leading to cutthroat competition to everyone's disadvantage.

Finally, in respect of the absence of the speculative element in the market, their opinion was directly opposed to

Milner's. "[T]he depression eliminated the speculators," said Brouillette, "with the consequence that the hedges which speculation now fails to absorb, have to be taken care of under stabilization operations."<sup>60</sup>

The question is, who was right and who was wrong, and by what criteria can their respective positions be judged? Does the market respond in a dynamic fashion - the "invisible hand" guiding shifts in price and allocation of a wide range of competing commodities? Or is the total demand fixed, and the market unable to take anything outside a narrow range of offerings? In fact, both these perceptions are right. Markets are limited, but not rigidly so, and price shifts will affect supply and demand. It is a matter of judgment which is the dominant effect at any one time.

Did McFarland sustain price to the benefit of the producer? Or did he distort the market? In fact, he did both. What was sold, if an analysis by the Stanford Food Research Institute was accurate, brought about five cents per bushel more than an unfettered market would have. But not as much sold as otherwise would, and Canada's carryover rose disproportionately. The issue is whether the benefit was worth the cost.

Had speculators deserted the market under depression? Or were they driven out by McFarland? Probably both.

McFarland's total activities did not by any means account for all the trading on the Exchange, and Wilson reported George McIvor's recollection of the events surrounding the 38 cents per bushel bottom of December 1932. McIvor, it seems, changed his mind somewhat from the time of his testimony. He had concluded, he said, that continued buying was like "trying to make water run uphill," and so he and McFarland decided to pull out.

... suddenly as was described to me by some traders in the pit, there was a vacuum; the government was out of the market and the market in a matter of seconds broke to 38 cents. Then on its own steam over the following days it started to come back and it seemed to find its feet gradually working up without further government buying.<sup>61</sup>

At the same time, there does not seem to be any doubt that speculative activity on the Exchange was vastly reduced over its heyday of the 1920's.

It is apparent that the two sides in the debate were operating on two entirely different moral visions, which influenced what they thought was important. Those who believed, with Richardson, that "we have the fundamental principle of the open market," selected as important the dynamic view of the market, the distorting nature of McFarland's endeavours, and the response of speculators to his actions. Those who believed, with McIvor, that under an aggressive sales policy against Argentinian wheat "it becomes a matter of the law of the jungle,"<sup>62</sup> and with

Brouillette that "history ... will record the efforts on the part of Canada ... to promote international co-operation," selected a different set of facts as important: the relative price inelasticity of agricultural products, the short term impact of McFarland's actions on the producers' price and the lowered liquidity which the depression had brought to the market. These matters, to them, were the salient features.

On these moral visions, the question of "right" and "wrong" does not get us very far. However, on the question of which set of statements is a more accurate description of the market, we are on firmer ground. Once again, these ideological statements - at least, statements founded upon certain ideological presuppositions - can be tested against empirical data.

In October of 1935, the Food Research Institute at Stanford University, published a paper entitled "World Wheat Prices, Canadian-Argentine Spreads, and the Ottawa Agreement." In it, the Institute documented the increase in the price spread between Argentinian and Canadian wheats, on the London market, and the fact that Canadian carry-overs grew proportionally more than the Argentinian. The Institute examined the factors in that might have accounted

for the increased price spreads and the disproportionate increase in Canadian stocks, and rejected all but one:

... we are driven to the inference that the wide spread between the prices of Canadian wheat and Argentinian wheat in Great Britain has been due demonstrably to Canadian tactics of price maintenance.

The article went on to deal with the matter of market responsiveness. There was, it said, "a common opinion in Canada" that a Canadian price reduction would have been matched by the Argentinians, resulting in no change in market shares, but in lower prices all round. But, they concluded:

This argument implies a definite shift in what may be termed spread psychology in Argentina [and] why ... the Argentinians would have done so just to the extent of maintaining the spread at 8.1 cents, rather than the spread of 3.2 cents, is not easy to grasp ... particularly when it is contrary to theory and practice.<sup>63</sup>

The Institute's findings form part of a compelling bundle of evidence suggesting that the farmers allowed their moral objections to the marketplace to cloud their perceptions of how markets function and of the actual effects of McFarland's operations. Canada's share of world carry over stocks rose over the period of McFarland's most vigorous intervention. Something must have kept those stocks from moving, and an inflated price would have done precisely that. Several times during 1934/35 the influential London market newsletter by Broomhall reduced its estimates of the amount of world requirements that Canada would supply and

apparently cited McFarland's actions as the reason.<sup>64</sup> The price data, taken altogether, support the trade position that McFarland was unable to influence overall world price trends, but was able to exercise just sufficient influence to price Canadian wheat out of the British market. Price trends at Winnipeg were matched by those in Chicago and Liverpool, and a careful examination of Winnipeg prices reveal no marked correlation between the ups and downs of the market and McFarland's interventions.

There is, of course, no way to know what would have happened if the McFarland programme had not existed. But at the same time, it takes a heroic act of faith to set aside entirely a collection of evidence all of which pointed in one direction, and which is consistent with some thirty to fifty years of experience, because it is inconvenient for one's own position. And yet that is precisely what the farm community did. Thus Brouillette claimed that: "This idea of the pools scaring the buyers away from Canada and all that sort of thing is just talk."<sup>65</sup> But it was not just talk; it was verified by Richardson's correspondents, and is the best and simplest explanation for the bundle of evidence summarized above.

THESE THREE SETS OF EVENTS all point in the same direction. In each case, we see diametrically opposite interpretations

of the same facts. In each case, we see active self-interest. And yet in all three, we see the protagonists in the debate arguing that their position was based on fairness and a disinterested quest for fairness. And in each case, both sides to the debate were in fact in possession of a partial truth - a hypothesis which accounted for some of the appearances, but not all.

It is these differing views of social reality for which we must give some account in summing up, and examining the conclusions which flow from the disparate matters covered in this study.

## CHAPTER X

### ASSESSMENT AND CONCLUSIONS

I have never known a controversy between human beings in which the contestants are not more certain of their righteousness than they have a right to be. All human controversies are controversies between self-righteousness sinners. But this does not absolve us of the necessity of seeking the truth between contrasting claims.

*Reinhold Niebuhr*

Man can live amazing things if they make sense to him. But the difficulty is to create that sense. It must be a conviction naturally; but you find that the most convincing things man can invent are cheap and ready made, and never able to convince him against his personal desires and fears.

*Carl Jung*

THIS STUDY HAS DISCUSSED some complex themes which do not always seem to be particularly well related to one another. Can we, for example, trace effective linkages between the findings of the Stanford Food Research Institute on wheat prices in the spring and fall and the moral authority which the farm organizations drew from the social gospel movement?

Let us try, therefore, to take a retrospective look at the themes and issues we have explored, see how they are

related, and see if any conclusions may be drawn from the many disparate aspects of the farm movement examined in the preceding pages.

Recall the promise of the first chapter of this study that three basic arguments would be made:

First: we would see how the grain trade and the farmers both argued ideologically, in that both spoke from within a set of moral assumptions about human nature and society. Moreover, we would see how the competing ideological positions arose, not only from different values, but from different judgements as to which elements of social reality were to be selected as important and which were not. These selections, we would find, were made when social stress focussed the attention of the protagonists on matters which the ideological status quo tended to overlook.

Second: we would find that some of the statements made on ideological premises could nevertheless be subject to verification or falsification. To the extent that such statements were falsifiable, we would be justified in asking whether their proponents had been "ideologically blinded" - making demonstrably false claims because it would have invalidated their ideological construct to admit otherwise.

Third: we would find that members of farm movement were "ideologically blinded" in a another sense, viz., of being blind to the power and pervasiveness of their own self-interest.

Moreover, it was said that the thesis would also demonstrate how the debate was metaphorical in nature - and indeed, would show that much of the way we think about social reality is metaphorical.

Let us begin our retrospective look with this last point: the degree to which the debate was infused with metaphorical content.

We saw that among the most striking examples of metaphor was the term "orderly marketing." Recall the difficulty Fowke had in defining what farmers meant - a difficulty which arose because they insisted on treating the term as if it were a literal description of the marketing system they sought to create. They sought to demonstrate how the existing system was "disorderly" in its operation, and to identify ways in which this quality was the key characteristic differentiating the open market from their own proposals. The success of these attempts was ambiguous. On the one hand, the metaphor "worked," for they had large numbers of followers to whom the image was a powerful

interpretation of reality as they experienced it. On the other hand, a careful examination reveals it to be empty of real content, because the more closely one examines the open market, and the internal logic of its mechanisms, the more "orderly" it appears.

The core of literal truth in the charge of "disorderliness" lay in the noisy clamour of the wheat pit, and the constant fluctuations of price in the absence of any "real" change in supply and demand. It also lay in the character of a market economy where pricing and distribution decisions are made by many small decisions of a multitude of buyers and sellers, rather than being directed by the seemingly more "rational" decisions of some duly constituted, supra-personal authority. It was the latter which the farmers desired, and the institutions which they created to give effect to their wishes represented a very different system than the open market. However, the differences lay much more in the way pricing and distribution decisions were to be made under it, than in its more "orderly" nature.

The perceived difference between the open market and the farmers' proposals also embodied the desire articulated by McPhail of being able to say to European buyers, "no, we are not interested in your price today." The metaphor used to

capture and convey this quest for control was "Democracy." By the farmers' own assessment, this was much more than just a political theory. It stood for empowerment of "the people" against the "the Interests" who, they believed, ruled and manipulated the market to their own advantage, and to the distress of farmers.

Again, there was a core of literal truth. The farmers' proposals did indeed include marketing institutions which would be under their control rather than under the control of private entrepreneurs. And, to people like McPhail, the economic promise of centralized marketing was less important than the search for dignity and control over their livelihood which the image of economic democracy bodied forth.

Finally, we have seen, as Geertz suggested, how powerful metaphorical and other literary devices were in promulgating the ideological perspectives of the farmers. We have focussed primarily on the cartoons in the farm press as examples of this kind of metaphorical device, and have seen how they conveyed in compact, visual, form what was very imperfectly communicated in prose. The contrast between the descriptions of "orderly marketing" and the images of Exhibits VIII-2 to VIII-5 illustrate this point vividly.

Let us now turn to three other issues, *viz.*: the contention that ideologies consist of value laden assumptions; the verification of ideological statements; and the question of "ideological blindness."

Little need be said on the first point. Chapters III through VI thoroughly explored how *laissez faire* and cooperativism held fundamentally opposing views on the private ownership of wealth, the relationship of the individual to society, the extent to which human nature conforms to the concept of "economic man," and the matter of conflict and harmony in economic life. The farmers' ideology did start from a set of moral assumptions. The moral desirability of a more equitable distribution of wealth, a belief in a mutual responsibility which goes beyond *laissez faire's* social contracts, and a concept of economic and social decision-making which goes beyond mere matters of the individual's material betterment were fundamental components of cooperative thought. Moreover, the farmers were keenly aware of the conflicts in economic life to which *laissez faire* was blind (although we saw at the same time that they created their own "harmony theories," which we will examine presently.)

The other two issues demand some further comment and we will begin by examining what might be called the "technical" aspects of the debate.

We said that some ideological statements are susceptible to verification, and on the face of matters, the first conclusion which seems to emerge from Chapters VII and VIII, where such verification was done, is that empirical analysis discredits the farmers' position. The evidence seems to say that the ills which the Pools and their supporters claimed to exist, did not, and the successes they claimed to have achieved with centralized marketing, were not. But such a conclusion leaves too many questions unanswered. For example, in 1927, the Pools established a Statistical and Research Department under Andrew Cairns, a trained economist who later became Secretary of the World Wheat Advisory Committee in London. It is inconceivable that Cairns did not know of the Stanford studies, or that he was unaware of the extent to which empirical analysis was at odds with the Pool position. Why, then, did the Pools continue to argue as they did in the face of these analyses? Similarly, the case against the futures market was refuted in Canada by all three of the inter-war Royal Commissions. Why did supporters of centralized marketing continue to press their claims in the face of these repeated refutations? And

again, why were Manitoba Pool supporters not outraged at the Pool over Williams' findings, and why did they not desert the Pool in droves when his report was released?

These questions are not so perplexing when the influence of ideology on the perception of social reality is considered. For example, in the discussion on orderly marketing, we noted how the producers' monthly patterns of delivery to country elevators was not altered by the Pools, notwithstanding their claims to the contrary. In accounting for this, we also saw that, in the minds of Pool leaders, the farmers parted with their grain at the door of the elevator under the old system, but under the new, retained it until it left Pool hands when sold to an exporter or miller.

Likewise, we can see how alternate points of view render quite ambiguous any direct connection between the findings of the Williams Commission and the Pool-private trade price dispute. It is true that the Pool farmers, unlike their non-Pool counterparts, left some money behind at the Pool elevator door in the form of elevator reserves, lower grades, higher dockage and even, on occasion, additional levies. However, by these means they acquired equity in an elevator system, and there is no objective way in which the value of that equity can be compared with the lower

immediate returns which the farmers realized from the sale of their goods.

These, however, are relatively straightforward examples. Other findings of these chapters cannot be so easily dismissed. For example, the farmers claimed spring prices were inordinately higher than fall prices, and the private trade, the Royal Commissions and a great deal of scholarly research said otherwise. Both could not be right, and the evidence is that the farmers were wrong. Likewise, it is not clear just how ideological perspective can satisfactorily account for the difference between George Langley's views of the Liverpool-Winnipeg price spread, and the views of UGG and the Saskatchewan Cooperative Elevator Company. Either the price spread between Liverpool and the Canadian farmer consistently exceeded the sum of the intervening costs or it did not, and the evidence is against the farmers' views.

In these cases, we must look a little deeper, and an apt place to begin is with Dobb's statement that economic thought "is shaped by the problems thrown up from a particular social context." Dobb illustrated this statement by pointing out how the great economists of the past had formulated their ideas in response to specific challenges: Adam Smith in relation to Mercantilism, Ricardo in relation

to the Corn Laws, and so on. Agrarian ideas about the grain industry likewise did not spring from idle musings about marketing. They sprang from experience - the wrenching experience of the post-war price decline of the early 1920's and the juxtaposition of that recession with the wartime prosperity which had coincided with centralized marketing arrangements. If the impact of these experiences is forgotten, then, as Mannheim said, we make the mistake of confronting the Pool arguments directly, instead of "defining the total perspective and seeing it as a function of a certain social position."

Central to this "total perspective", and the starting point of the producers' efforts to define their "social position," was the sense of helplessness that is so well encapsulated in Shideler's anecdote about the farmer's son who wondered why they always had to ask the price of wheat at the elevator and the price of goods at the store. As the anecdote illustrates, farmers saw themselves, quite accurately, as helpless price takers in the economic scheme of things, and it was this sense of helplessness which they sought to overcome through centralized marketing and pooling. For at least the more thoughtful members of the movement, the ability to attain a higher price for their products was but a means to an end, and the end was to

enable the farmer to feel a justifiable pride of place in society.

And it must be stressed that the Pool achievements which contributed to their heightened sense of status and control were not trivial. In the space of a few short years they built a powerful marketing organization which handled about 50 percent of the entire Western wheat crop. They built a large elevator system. And they created large and powerful organizations which were important voices in the policy debates, continuing to this day, about the relative degree to which market forces and centralized control should govern the Canadian grain handling, transportation and marketing system. As McPhail told the 1927 International Wheat Pool Conference, they had gained the confidence which came from knowing "that a combination of farmers can conduct business on a large scale just as successfully as any combination of business men."<sup>1</sup>

From this perspective, it is a little easier to see why farmers continued to argue as they did even though the empirical data were against them. The matter turned, as Schumpeter said, on what was selected as important and what was left to one side. And what was important was the "social position" which rendered them so vulnerable to price drops.

It was the price drop of the early 1920's which pushed the farmers' ideological development in new directions, demonstrating Geertz's contention that ideologies arise when new patterns of thought are required to comprehend social reality, and people must therefore free themselves from the received tradition. As farmers sought to analyze the roots of their problems, they found the analytical framework of *laissez faire* ill-suited to explaining the economic powerlessness which they felt. *Laissez faire's* vision of human beings as monadic individuals willingly trading in the marketplace, and refraining from trade if unable to strike a satisfactory bargain, largely ignored the situation of persistent powerlessness - of repeatedly being driven into disagreeable bargains through the force of necessity. The "received tradition" provided very little to address the farmers' sense of helplessness; little to explain what seemed like an irrational destruction of the monetary value of their produce; little to help them understand why they had to take what was offered whereas others seemed to set the price for their labour or their goods; and little to help them formulate solutions to the central problem of impotence in the face of economic distress.

What was needed for farmers to deal with their experience was to extend the boundaries of the "inherited framework."

Just as, during the 1930's, policy makers had to deal with conditions of chronic underconsumption, so agricultural policy had to take seriously the fact that what economists call short term inelasticities caused sharp changes in price which could devastate primary producers. They had also to recognize that, without unacceptable levels of disruption to human lives, land could not easily pass in and out of production in order to bring supply and demand into balance. It had to recognize, in short, that there was an extremely good argument for protecting farmers from the unfettered operation of the free market - for asserting that farmers' returns ought not to be governed solely by supply and demand - but that protective measures ought to be taken against the worst of what the market could deliver. The farmers knew it from bitter experience; economic orthodoxy had not yet turned its attention to these matters.

And of course the Pools did expand the "inherited framework." In fact, there was a good deal of sound thinking both in their analysis of their problems and in the solutions they proposed - although it did not lie in their allegations about just how the open market worked its distress on farmers. The Pools were quite right that withholding from the market could, under certain circumstances, act to sustain price. The American government pursued just such a policy with its Commodity

Credit Corporation "loan rate." If price fell below this rate, the Corporation bought farmers' grain, refusing to let it back into the market until the price rose. The loan rate thus became a floor below which prices could not go.

However, the strategy is only successful if the withholder can allow the value of the grain to be entirely eaten up by carrying charges. This means, as the Pools found to their ruination in 1929, that only governments possess the economic power required to carry the strategy into effect. Moreover, without rigid controls on production, such policies lead almost inevitably to surpluses which overhang the market and drive prices to disastrous levels for those who cannot shelter under the umbrella of the price protection. This is exactly the situation which obtains today in the subsidy war, from which Canadian farmers are suffering, between the United States and the European Economic Community.

However, the experiences which were to demonstrate these difficulties were all in the future in the mid-1920's. At that time, the Pools honestly believed that they controlled enough of the world market to influence price, and that the world eventually have to turn to them for supplies. In fact, Canada's large percentage of the export trade in wheat did not give the Pools the market power they expected or sought. It was Canada's percentage of total world

production - in the neighbourhood of five percent - which defined their true, and virtually insignificant, level of market power. Of course, policy makers have still not unravelled the Gordian knot of how to protect farmers from the negative impacts of the market without incurring the undesirable side effects of price distortions and consequent surpluses, so we can hardly blame the Pools, or anyone else in the 1920's, for failing to foresee all of the problems that would arise.

Any accusation that the farm leaders were "ideologically blinded" must therefore must be treated with caution. It is certainly true that they seemed to be arguing "ideologically," in the pejorative sense of the word, because they were "extending the boundaries" and were therefore arguing outside the confines of the accepted orthodoxy. Such discourse will always sound "ideological" to those who, knowingly or unknowingly, are working within the confines of the received tradition. But in fact, the Pools, in addressing their sense of powerlessness and their search for dignity, did nothing more than focus attention on matters which liberal economics tended to ignore, but which cooperativism and social gospel thought placed at the centre of concern.

However, it must also be said that the farmers, to some extent, failed to carry their analysis through to its logical conclusion, and it here that the notion of a "dominant ideology" serves us well. Although they fought against, and expanded, the boundaries of the inherited economic framework, they were at the same time constrained by it - constrained by the habits of thought into which that framework tended to direct their thinking. Thus, while they often spoke of things like "cost of production," and "fair incomes," they never really abandoned the idea that prices ought to be established by the interacting forces of supply and demand. So imbued were they with the idea that supply and demand ought to set price that when the market price failed to yield a satisfactory return, they concluded that the source of their difficulties lay in the fact that the market did not operate properly: that the flood of grain to market in the fall overwhelmed "real" demand, causing prices to plummet, and that the ever changing surfeit of "wind bushels" overshadowed physical wheat and caused unwarranted price fluctuations. The fact that the futures market actually obviated the impacts they feared, and was not susceptible to manipulation, was either not accepted, not understood, or deliberately misrepresented.

Because they failed fully to transcend the views which they had drawn from the ambient climate of opinion, they invited - and even initiated - judgement on the results of their marketing experiment on grounds which were drawn straight from prevailing economic thought. They claimed that a centralized marketing body would do a superior job of price discovery, and would absorb the risks of price change by collectively sharing that risk among grain producers. On the other hand, when the challenge to be so judged was taken up, and the Pool results were found wanting, they either ignored it (as they did with the Stanford work), or reviled their opponents (as they did constantly in the debate on who got the better price), or denied that the such comparisons were valid (as they did with the Williams Commission.)

To the extent that the Pools sold their ideas on the very premises that they elsewhere scorned, ideological apologetics cannot excuse completely the attitude which they took to the empirical analysis and data. As we noted in Chapter II, ideological perspective can only highlight different aspects of what in reality exists; it cannot impart to things qualities they do not possess, nor remove qualities they do. The assessments performed in the preceding chapters show quite clearly that the alleged manipulation of the market by speculators, the "paper wheat"

that supposedly obscured true supply and demand, the inflated spring prices and the inordinate spreads between Liverpool and Winnipeg were all fictitious characteristics of the market. It was also true that in seeming to daff aside so cavalierly both the findings of the Royal Commissions and the empirical data which refuted their beliefs, the Pools failed to make a new synthesis which would have addressed their root concerns without denying the validity of these empirical analyses. These too cast light on aspects of reality which the Pool position ignored. Their stiff necked refusal to face these realities was in the end largely responsible for the debacle of 1929, and did nothing to add to their credibility.

The fact that farmers often granted only secondary importance to the impact which the Pools hoped to have on price was not the only reason that they were not swayed in their support for centralized marketing. It was also that they had so closely knitted their false perceptions of the market into their overall ideological construct that to abandon them would have been to abandon the whole structure of belief. So married to the hypothesis were they that to accept the empirical realities would have been to throw out the ideological baby (farmers should be protected from extreme market fluctuations) with the ideological bath water (the market is a den of iniquity.) It is in this sense that

it is indeed right to claim that the Pools were being "ideological" in the pejorative sense which implies that ideology ignores facts.

Of course, it must be stressed that the assessments made in Chapter VIII of the four specific Pool charges against the open market (as well as the findings of the Williams' Commission) are likewise "ideological" in the sense that they largely ignore issues of market power and the "social position" of the farmers which gave rise to their sense of helplessness.<sup>2</sup> It is not that these analyses are wrong, but that they are partial: they are restricted to price relations and largely ignore "social relations."

In the end, however, one is driven to the conclusion that McPhail's view came closest to capturing the attitudes of Pool supporters to the "technical" aspects of the debate. Price was secondary; the sense of dignity and control, primary. Even in the face of the very grave questions which the Royal Commissions on marketing, the Stanford studies and the Williams Commission raised, the farmers still did not rise in righteous indignation and desert the Pool. The only plausible explanation for this is that, although these studies discredited lesser aspects of the myths about the open market and the Pools, it did not discredit, in the eyes of producers, what was truly important. And what was truly

important was that they had built powerful organizations, over which they exercised democratic control, and through which they gained the confidence and status which McPhail had so perceptively identified. Control over the source of their livelihood and the dignity to stand as something other than a hapless price taker was the real issue.

And that is why Fowke was right when he said that "Royal Commissions and western grain growers did not come to grips ... because they persisted in talking about different things while apparently convinced they were talking about the same things."<sup>3</sup> In Mannheim's words, the two sides simply, for the most part, simply "talked past one another" when they argued on these technical grounds.

We must now turn to the more overtly moral and religious dimension of the debate, and here we will address a series of questions which flow from the moral and religious vision which the farmers adopted. Was the farm movement blinded by its own self-interest? Did it incorporate an element of utopianism which tended to place its social vision above human criticism? Did it see, in its own programme, the final fulfillment of history in a cooperative world to which any change would represent a diminution of human well-being? Did this lead the farmers into an inordinate self-righteousness? And did they therefore also fail to

appreciate what Niebuhr called the "irony of history" - the recognition that the exercise of power is always ambiguous, and that instruments forged for the attainment of justice might themselves become sources of injustice?

We begin this discussion from the point that the agrarian movement's criticism of the market extended not just to certain specific alleged abuses in the futures market, but to competitiveness and the free enterprise system *in toto*. The market economy, in short, was seen to embody a systemic immorality which relied on and encouraged base behaviour. Over against the market economy, cooperation was endorsed as a morally superior basis upon which to conduct economic life, and some of the farm leaders went so far as to identify cooperativism with a Christian economic order.

It is clear that we cannot examine the right and wrong of this position in the way we have examined the right and wrong of their charges against the futures markets. But what we can do is bring to bear a perspective which casts light on some of the dangers to which the cooperative movement exposed itself - and arguably into which it fell - by embracing this position with the fervour that it did. As indicated in earlier chapters, that perspective comes from the thought of Reinhold Niebuhr.

Recall that the Pools very carefully built up a sustaining myth as selfless, Rochdale democrats, acting purely on motives of service to their fellow-farmers. The foundation for this belief rested on three cornerstones. First, they had an inordinately optimistic view of human nature, which they applied largely with out reservation to themselves. They should be judged, as Musselman put it, on "the purity of their ideals." Second, they thought that the Rochdale principle of distribution of profit had annulled what they saw as the only real corrupting motive: the desire for material gain. Freed from the profit motive by the distribution of surplus on the basis of patronage, Pool and Wheat Board officials would be governed solely by the motive of service. Third, any residual tendencies towards the abuse of power would be thwarted by the democratic nature of their organizations. On these three bases rested a profound belief that self-interest would be totally annulled.

The Williams Commission provides us with the most telling evidence that the programme espoused by the farm leaders had not been as effective as they hoped. Williams proved that the Pool had indeed engaged in the very practices of undergrading and overdocking which the farm movement had condemned in the private trade for the preceding three decades. Moreover, he proved that the Pool had concealed

these practices, and had not been fully open and honest with its members on the poor financial results which these practices were used to hide.

Two of the Pool's major planks in its defense of itself were that the proceeds from these practices went back to the farmers anyhow, and (more problematically from our point of view here) that: "There was nothing for any person to gain by withholding information."<sup>4</sup> This defense was not convincing.

To begin with, while it was true that the gains went back to the farmers, this claim represented something of a *post hoc* reversal of opinion on the part of the Pool. Both the Alberta Pool pamphlet and the Mahoney information letter referred to in the discussion in Chapter IX took the opposite view.

Secondly, the Pool had always prided itself on being fully open with the farmers on how their business affairs were being conducted. And yet the Commission findings showed very clearly that the Pool had been neither open nor honest on the matter of excess weights and undergrading, and had certainly concealed the true financial picture from prospective, if not from existing, members.

Thirdly, most problematically, and most relevant to our argument here, was the claim that there was nothing for any person to gain. This claim was nonsense. They had acceded to remunerative positions of power and influence through the Pool, which they would have lost if the enterprise had failed. Moreover, the officers and directors of the Pool had gained sufficient power to practice a deception against farmers from which they personally stood to gain - even though that gain was not the private pocketing of the proceeds - and they had succumbed to the temptation to do so. To say, therefore, that they had nothing to gain by the financial success of the Pool and by its continued growth was demonstrably untrue, and misrepresenting the financial results of the elevators had the potential to further those self-serving goals.

It is apparent, therefore, that the Pool leaders, like Niebuhr's liberals and Marxists, failed to perceive the power of self-interest to corrupt their ideals and their institutions. All in all, their self-perception as highly principled democrats, freed by the pooling principle from the temptations of profit and therefore beyond human corruption, did not stand up to scrutiny in the light of these events.

Let us turn, then, to the utopian aspects of the cooperative movement, and the "pitfalls" which Harland said threatened a movement when it embraces utopian expectations. Did the farm leaders "absolutize values" as Harland described, and thus turn them into "idols?" Did they "wrongly locate the source of evil" outside human nature, in social institutions? And did they adopt a "crusading approach" which produced "political blindness and the fury of self righteousness?"

Utopianism was not a dominant feature within the farm movement, nor were the farm leaders a hard core band of revolutionists dedicated to the overthrow of the establishment. But nevertheless, a streak of utopianism did emerge very clearly within Prairie cooperativism, and it manifested itself in the harmony theories which it adopted. These theories went well beyond the relatively mild assumptions of Locke's paradigm which allowed *laissez faire* to ignore human conflict. Cooperativism's harmony theories were framed in terms of human brotherhood - the creation of a society aptly termed an "end to history," wherein human conflict would be completely annulled.

Richard Allen captured this aspect of agrarian thought when he suggested that economic movements often adopt ideas "not reducible to economics," and that behaviour patterns

then emerge which "owe more to religious concerns of alienation and reconciliation, of guilt, justification, redemption, and ultimate hope than to the cold rationalities of economic interest."<sup>25</sup> In short, utopianism, however, mild, tends to try to find answers to life's ultimate questions through social, political and economic arrangements. These aspirations emerged with particular strength among those who accepted as a proximate goal the social gospel's vision of the farm movement as the instrument for bringing in the Kingdom of God. And indeed it was at the point of intersection between cooperativism and social gospel thought where Prairie cooperativism embodied its strongest utopian expectations.

Travis Kroeker, in a recent article dealing with the failings of the social gospel (and, incidentally, with J.S. Woodsworth's attempts to find political answers to the problems of human community which lay at the heart of social gospel concerns) articulated the problems which social and religious movements face when they seek answers to the matters which Allen identified:

The true good of the cosmos is not an historical construct or social product that can be applied to reality by human beings in order to master it for their own fulfillment. When transcendent spiritual reality tensively revealed in symbolic truth is reduced to a spiritual possession of human beings, an historical ideal that promises to "transfigure" all of reality, it becomes an idol. It misrepresents the divine and the true relation of human beings to the divine in and through the created order - a participatory relation that can be mediated historically but never possessed,

that can measure political life but never fully realized or fulfilled within it.<sup>e</sup>

In other words, to echo Carl Jung, the coop movement, however much it wished, could not provide convincing answers to the ultimate and most profound questions of human beings in community.

In contrast to these high hopes, McPhail's goals of dignity and control were quite ordinate - expectations which went beyond the economic, but were nonetheless realizable by an economic ideology answering to the problems of price instability. And indeed, the cooperative movement was saved from any extreme in this matter by the diversity of thought within it, and probably by the down-to-earth common sense of the farm community.

However, when it subordinated its frank appeal to economic interests to these more extreme expectations, the utopianism of the coop movement emerged. When it did, a self-righteous intolerance emerged which hinted at the matters which Harland referred to, and which was at odds with cooperativism's larger vision. It was self-righteous intolerance which lay behind the Pools adamant refusal to see Pool wheat and non-pool wheat occupy the same elevators. It was self-righteous intolerance which led them to cling to a set of theories about the futures market that did not stand up to scrutiny. Self-righteous intolerance caused

them to drum J.B. Musselman out of the movement for failing to condemn the open market in terms which they thought it deserved, and it led them to ignore all the evidence that their marketing operations did not do what they claimed it did.

Finally, then, let us look quickly at the way the Pools were blinded to what we have called here "the irony of history. Again, the experience of the Williams Commission is instructive. We have already seen already how the issue of the ambiguity of power arose in connection with these events. For decades, the private trade was accused of cheating farmers on weights, grades and dockage. The trade responded that competition precluded any such opportunity, and the 1925 Royal Commission agreed. But then Manitoba Pool was accused of the same crime, and Williams proved that the charge was valid.

So were these practices right or wrong? The farmer whose grain was underweighed, overdocked or undergraded may have felt better because the proceeds went to his neighbour rather than to a Winnipeg grain firm, but did that excuse the practice? The answer is ambiguous. On the one hand, notwithstanding the Pool's spirited defense of themselves, the very fact that they sought to conceal the matter from its members suggested that they were not as comfortable with

their actions as they subsequently made out. On the other hand, as we explored in Chapter IX, the matter of weights and grades was never clear-cut, and we must recognize that, in the end, the farmers endorsed what had been done.

Interestingly, the Pool press itself published one of the most telling little testimonies on the ambiguity of vice and virtue on the matter of weight and grade gains. We know that overdocking and undergrading had been seen as two of the cardinal sins of the private grain trade in fleecing farmers of their rightful due. But two years prior to the Williams Commission's deliberations, when the Pool was engaged in its most flagrant violations of the standards it had earlier espoused, the *Scoop Shovel* had printed a cartoon in which the grain trade was pictured as a rather sinister looking fisherman using underdocking and overgrading as "bunkum bait" to fish the poor farmer out of the "pool". (See Exhibit X-17)

The question of whether centralized marketing bodies might abuse the monopoly power the farmers wished to see vested in them was a subject of some debate before the Parliamentary Committee hearings. The compulsory features of the Bill were opposed by R.S. Law of United Grain Growers and by all the grain trade representatives. "They could say to me: here is what we will do; if you do not like it you

know what you can do," said Reliance Grain President, Sidney Smith.<sup>9</sup> Smith reiterated several times his belief that farmers should be allowed to "operate on their own initiative," and "ought at least to have the freedom of marketing those crops in whatever manner he desires to market them" without a Board to tell him "he has got to do this and he has got to do that."<sup>10</sup>

The farm representatives, of course, disagreed. Said Brouillette, "only a central marketing agency handling the whole of the western crop would give the farmer the best that the market would do." Asked about the alleged loss of freedom, Brouillette replied that he could not see the problem. The only freedom the farmer enjoyed was to sell his grain or leave it sit.<sup>10</sup>

The 1935 Bill passed, and the Canadian Wheat Board gradually acquired powers over individual farmers, and over the practices of the grain trade, which far exceeded the power of the private enterprises which had been the focus of farmers' attacks for the preceding two generations. Moreover, the Pools' power also increased, and by continuing to take over other grain handling organizations, they increased their market share to the point where, today, they handle about two-thirds of the grain entering the elevator system. All these developments were precisely what the farm

leaders of the 1920's and 1930's desired, and they believed, of course, that this power would be exercised benevolently. The Pools and the Board would be free of the corrupting profit motive, and staffed by enlightened managers in the service of the community.

Did it work? Were these powers exercised benevolently? Or did Smith's and Law's concerns materialize?

Farmers like Brouillette saw centralized marketing as the solution to their problems, and faith in the Board's presence reigned unchallenged for nearly four decades. Today, however, there is a sizable body of farm opinion which is beginning to question this position, and in doing so, is implicitly questioning the very ideological assumptions which underlay the Board's formation in the first place. These farmers are questioning whether the restrictions, placed by the Board system on their freedom to market their crops as they wish, act to their benefit, and they are putting their objections to the status quo in terms of the very *laissez faire* assumptions explored in Chapter VI: it is their grain; they have a right to dispose of it as they see fit; their first responsibility is to their own well-being, not to the well-being of their fellow-farmers.<sup>11</sup>

Moreover - and this point is the most germane to the argument here - these farmers question the motivation of the

Board in its continued control of their marketing options. The Board's argument is built on the "prudential" arguments for communal action we explored in Chapter VI: "If we let some people access only the best markets, then payments available to all other producers will be less."<sup>12</sup> Moreover, in the case of barley, the Board already controls only a minority of the crop. If further market opportunities were opened to individuals and private businesses, the Board's barley marketing and pooling programme could become totally unworkable.

But these very arguments cause the dissident producers to question the Board's motives. Their analysis suggests that they, and farmers in total, would be better off if they could access certain small markets which the Board does not normally pursue. What then, they ask, is the Board's motivation? The good of all? Or the protection of its power and authority?

The answer to this question is beyond the purview of this study. But it is not beyond our purview to point out that to people like today's dissident farmers, the issue is ambiguous. It has become a question of power - of a large bureaucracy fighting to keep control.

THE STORY OF THE FARMERS' MOVEMENT and its achievements is a heroic one, of that there can be no doubt. They transformed the world in which they lived and worked, and built large and powerful institutions which endure to this day.

But it is not a story without its dark side - and it was not, as Innis styled it, an abutment in the bridge to a promised land. It was a search for price stability; it was a search for dignity. It was also a misguided search for human brotherhood and harmony - for some new realization of man in community, free of self-interest.

We have tried to give an honest portrayal of the events 1917 to 1935, but we have not viewed them as the triumph of good over evil.

Of course, every story is but the prelude to another, and with the formation of the Board in 1935, a new chapter did open in the story of grain marketing: the reign of powerful centralized control over the affairs of farmers and the grain trade. If Niebuhr was right, it was also the beginning of a new quest for justice - not, this time, against the abuse of power by private industry, but against the potential for abuse by new centres of power crafted by the farmers themselves.

APPENDIXA. World Wheat Trade

THE STORY OF THE RAPID DEVELOPMENT in demand for wheat goes back to 1846 when the Irish potato famine finally forced the repeal of the British Corn Laws, and the reduction of import duties to the level of one shilling per quarter.<sup>1</sup> Britain then became an industrial nation with heavy dependence on foreign agriculture for basic foodstuffs. Britain's experience was repeated elsewhere on the European continent. Tables A-1 and A-2 illustrate these trends.

TABLE A-1<sup>2</sup>

UNITED KINGDOM IMPORTS OF THE MAIN GRAINS  
1840 - 1914

Years	Wheat	Other	Total
	(..thousands of tonnes..)		
1840-44	360	150	510
1845-49	450	720	1170
1850-54	750	760	1510
1855-59	730	810	1540
1860-64	1310	1270	2580
1865-69	1350	1450	2900
1870-74	1800	2070	3870
1875-79	2360	2990	5350
1880-84	2620	3120	5740
1885-89	2550	3580	6130
1890-94	2980	4030	7010
1895-99	3150	4990	8140
1900-04	3690	4990	8680
1905-09	4340	4140	8480
1910-14	4750	4060	8810

TABLE A-2<sup>a</sup>  
 DEFICIT WHEAT PRODUCTION AMONG EUROPEAN IMPORTERS  
 1885 - 1939

Years	Deficit (m. tonnes)
1885-89	6.9
1889-94	8.6
1894-99	9.5
1899-04	10.4
1904-09	10.5
1909-14	12.1
1914-19	11.7
1919-24	13.7
1924-29	14.5
1929-34	9.8
1934-39	8.0

The growing British market was an important outlet for wheat production in newly opening areas in the world. Chief among these were the U.S., Canada, Argentina and Australia. Table A-3 shows the importance of these areas to British needs.

TABLE A-3<sup>a</sup>  
 SOURCES OF BRITISH WHEAT IMPORTS  
 1828 -1914

Years	Russia	Prussia/ Germany	India	Canada	USA	Argen- tina	Austr- alia
	(.....thousands of tonnes.....)						
1828-32	50	60		10	<10		
1833-37	<10	20		<10			
1838-42	40	150		<10	<10		
1843-47	50	100		<10	20		
1848-52	130	120		<10	40		
1853-57	120	140		10	130		
1858-62	200	260		70	330		
1863-67	370	290		40	200		
1868-72	570	200		100	490		
1873-77	410	170	110	150	970		60
1878-82	270	140	200	150	1570		120
1883-87	360	80	460	110	1160	10	140
1888-92	740	80	470	100	970	100	100
1893-97	750	40	200	150	1360	350	90
1898-02	200	30	270	300	1700	420	170
1903-04	990		990	350	570	890	320
1905-09	690		650	580	820	1050	390
1910-14	620		850	960	1020	640	570

Points of note in Table A-3 are:

1. Movement of Canadian wheat to Britain occurred almost from the beginning of the nineteenth century.
2. Australia, Argentina and Canada all emerged more or less simultaneously as major exporters.
3. A large proportion of British imports were met by the United States in the late nineteenth century; until 1914 they were in fact more important than Canada.

By the beginning of World War I, Britain had become the world's largest importer of wheat by a wide margin, and remained so over the period of interest of this study. Table A-4 shows average world exports and imports of wheat and flour over (mostly) five year intervals from 1908 to 1939, with both Canada's share of exports and Britain's share of imports.

TABLE A-4<sup>5</sup>

WORLD WHEAT AND FLOUR EXPORTS AND IMPORTS  
WITH CANADIAN AND BRITISH SHARES  
1908 - 1939

Years	Exports			Imports		
	World (m. tonnes)	Cda	%	World (m. tonnes)	UK	%
1908-12	19.9	2.0	10.1	16.9	6.0	35.5
1913-17	20.3	4.6	22.7	16.9	5.9	34.9
1918-21	17.9	4.0	22.3	15.3	5.5	35.9
1922-26	22.5	7.7	34.2	21.4	6.1	28.5
1927-31	24.9	7.9	31.7	24.3	6.4	26.3
1932-36	19.0	6.2	32.6	18.8	6.1	32.6
1937-39	18.2	4.0	21.9	14.1	5.3	37.6

Britain was not only an importer in her own right, but also played an important role in marketing wheat throughout the world. Britain was the designated destination of Canadian wheat when it departed Canadian ports, but it was not where it was ultimately consumed. Table A-5 shows Canadian exports initially destined to Britain, and the actual consumption of Canadian wheat in Britain.

TABLE A-5<sup>6</sup>

BRITISH IMPORTS AND CANADIAN EXPORTS OF WHEAT  
1923 - 1925

Year	<u>. British Imports: .</u>		<u>. Canadian Exports: .</u>
	Total	from Canada	to Britain
	(.m. tonnes..)		(m. tonnes)
1923	6.05	1.88	5.22
1924	6.88	2.39	5.34
1925	5.72	1.85	5.11

The figures in Table A-5 show that the quantities of Canadian wheat dispatched to Britain were approximately three times the amount actually consumed there. Over the course of time, Canadian wheat came to dominate U.K. imports, displacing American wheat, among others, but this did not occur until after the period of interest in this present study. Rees shows Canada having about 29 percent of the U.K market for all unmilled cereal grains in 1938, but almost one-half the market by 1962.

B. Relevant Statistics on the Canadian Grain Industry

THE CANADIAN GRAIN INDUSTRY developed most vigorously between 1900 and 1920. One key factor in this development was the introduction of Marquis wheat. The Marquis variety was first bred in 1904 and was brought into general use by 1909. With its earlier maturity and superior milling qualities, it was without doubt a major factor in establishing Canada's place in the world wheat market. The fourfold expansion of western wheat acreage from 5.0 million acres in 1906 to just over 20 million acres (roughly its present level) by the early 1920's was to some extent a result of the improved variety.

The quadrupling of acreage between 1905 and 1920 had brought large numbers of entrepreneurs into the grain business, firms with whom the large farm cooperatives (and many small ones) competed for the farmers' business. Tables A-6 and A-7 show the structure of the industry in July of 1920. Table A-6 shows the number of companies operating country elevators in Western Canada, and the number of facilities owned by each. (A small number of the elevators among these were located outside the Prairie area.)

TABLE V-6

**ELEVATOR COMPANIES IN WESTERN CANADA<sup>7</sup>**  
As at July 1920.

## Ranked by Number of Elevators:

Number of Elevators:	1	2-4	5-9	10-24	25-49	50-99	over 100
Number of Firms:	144	26	10	21	15	14	7

Total number: 237

## Largest 7, in order of size:

Saskatchewan Cooperative Elevator Company....	318
United Grain Growers.....	314
Alberta Pacific Grain Company.....	280
Ogilvie Flour Mills.....	170
N. Bawlf Grain Company.....	118
Lake of the Woods Milling Company.....	116
British American Grain Company.....	109

## Points to note from Table A-5:

1. The industry was both highly competitive, and dominated by the two large cooperatives.
2. Out of a total of 3773 licenced country elevators in the three Prairie Provinces, 632, or 17 percent, were owned by the two large farmer owned companies.

Note, too, that the two large coops, in 1920/21, handled 37 percent of the grain delivered to country elevators, a little higher than their average percentage of 31 percent over the 1914/15 to 1924/25 period.<sup>8</sup>

There were also 138 "track buyers" who bought grain which farmers had loaded directly into a rail car without passing through an elevator, and which offered further competition. Most of the larger elevator operators were licensed track buyers, but there were 25 who did not own elevator facilities and who therefore had no vested interest in encouraging wheat to move though the country elevator system. There were 1920 track loading facilities in 1920, compared with just 1497 elevator sites. It is not clear just how much grain was loaded directly into rail cars without using the elevator system. During a debate in the Manitoba legislature in 1910, Liberal leader Norris estimated that 25 percent of the grain was loaded direct.<sup>9</sup>

The practice was constrained after the Canadian Wheat Board quota system came into effect, since farmers could then deliver only as quotas permitted. However, in the 1920's, a farmer could deliver his whole crop at once if he wished, and it would have taken approximately one half of a quarter section's production to fill a 40 ton rail car - well within the land holdings of most producers of the time.

More important from the farmer's point of view than the total number of firms was the competition which the farmer faced at the immediate point of delivery. The Table A-7 shows the competitive situation at the individual delivery points. The entries in this table show the number of points served by a single elevator company, two companies, three companies and so on. It was also very likely that all single elevators faced competition from track loaders, and with the farmer owned companies also holding track loading licences, virtually every producer would have had access to these companies as a potential competitor. The presence of a farmer owned company should have been an important factor in ensuring fair treatment, especially at the single elevator points. Shown in brackets in the single company point column of Table A-7 is the number of towns in which the single company was one of the two large farmer cooperatives.

TABLE A-7

COMPETITIVE STRUCTURE OF DELIVERY POINTS<sup>1,2</sup>

As at July 1920

	Number of Companies at the point:							Tot
	1	2	3	4	5	6	>6	
	(.....number of delivery points.....)							
Man.	193 (41)	107	51	17	7	0	0	380
Sask.	178 (19)	202	147	125	72	30	13	767
Alta.	112 (9)	88	62	47	27	13	1	350
Total	488 (69)	397	260	189	106	43	14	1497

Points of note from Table A-7:

1. There were 1009 elevator points, or two-thirds of the total, where the farmers faced competitive purchasing by elevator companies.

2. At a further 69 points at which competition did not exist, farmers' grain would have been bought by one of the two large cooperatives.

3. Thus, only about one-quarter of the grain delivery points at which the farmer saw only one private elevator owner.

4. The most competitive situation existed in Saskatchewan. Only 23 percent of Saskatchewan points were non-competitive, as opposed to 42 percent in the other two provinces.

The claims of collusion and manipulation must be considered against the large number of firms in existence at the time these charges were made. Conspiracy theories are always suspect, and the suspicion must increase when the number of conspirators is large. Moreover, in the grain industry of the 1920's, among those conspiring would have had to have been the two farmer owned companies which dominated the field.

#### C. Statistics on Grain Prices

TABLE A-8 GIVES AND OVERVIEW of wheat prices during the period of this study an prior to it. Also shown are wholesale price indices which indicate the purchasing power of wheat in relation to things farmers had to buy. Note in this table that "year 10" in each decade is actually the first year of the following one (i.e., year 10 of the 1890's is 1900 and so on.)

TABLE A-8

AVERAGE ANNUAL PRICE OF NO. 1 NORTHERN WHEAT AT FORT WILLIAM  
 COMPARED WITH THE WHOLESALE PRICE INDEX<sup>1,2</sup>  
 1891 - 1940

Year	Wheat Price									
	Price	Index								
	1890's		1900's		1910's		1920's		1930's	
1	90.4	56.4	79.5	51.6	96.6	61.9	199.3	113.3	64.2	67.1
2	87.0	50.9	72.7	53.8	100.8	66.7	129.7	98.8	59.8	62.4
3	74.9	50.3	74.9	53.3	89.4	67.7	110.5	97.6	54.3	63.1
4	65.6	45.5	86.2	55.3	89.4	70.1	107.1	99.4	68.1	67.8
5	71.0	46.2	97.4	56.4	132.4	77.1	169.0	104.9	81.8	69.5
6	61.1	43.0	77.5	56.1	113.3	89.7	151.2	100.0	85.1	72.4
7	72.6	45.5	79.5	59.6	205.6	120.6	146.3	98.5	122.7	86.1
8	98.9	48.3	104.7	61.1	221.0*	133.3	146.3	96.7		
9	72.4	47.2	116.1	63.9	224.1*	139.8	124.0	96.1		
10	69.8	50.9	102.4	63.9	217.5*	164.3	124.0	82.5		

\* Periods of price control, by the Board of Grain Supervisors (1917/18, '18/19) and the first Canadian Wheat Board (1919/20).

Table A-8 shows: (a) the relatively low prices associated with world depression in the mid-1890's; (b) the subsequent price recovery which accompanied and permitted western settlement after the turn of the century; (c) the rise in prices caused by the Great War, and the prices fixed by the Board of Grain Supervisors (see below); (d) the post war price collapse in the early twenties; (e) the subsequent recovery in the 1924 - 26 period for which the Pools claimed credit; (f) the subsequent slow decline; (g) the collapse in the 1929 - 30 period which bankrupted the pools; (h) the disastrous price regime of the Great Depression.

#### D. A Brief Account of Wartime Price Control

THE PERIOD OF PRICE CONTROL during and just after the Great War is credited with forming in the minds of Western Canadian grain farmers a strong attachment to centralized marketing.<sup>1,2</sup> A brief overview with a review these events will be useful.<sup>1,3</sup>

Trading in wheat futures in Winnipeg was suspended, and government controlled marketing introduced, between May and July of 1917. War had already interrupted world wheat movement, and in October of 1916, the British government

suspended open market trading in Liverpool, appointing a Royal Commission not only to investigate the supply of wheat, but also to undertake procurement for British needs. By the following year, the Commission's activities had been expanded to include acquisition for all European allies. Procurement of supplies from the Canadian market were made through the Wheat Export Company Limited of Winnipeg, a federally chartered enterprise especially established for the purpose. The Company's acquisition procedure was very much like that of a miller, as described in Chapter VII, hedging its needs by buying futures contracts. It would then either buy cash wheat, and lift its hedge, or take delivery of physical product when its futures contracts matured.

In May of 1917, two things became clear. The first was that the Wheat Export Company had effectively cornered the market; i.e., it was the sole long party. The second was that, because of the low quality of the 1916 crop, there were insufficient stocks of the deliverable grades to satisfy its outstanding futures contracts. "Short" holders in the market were then called upon to make good on their delivery contracts, and the speculators among these short holders sought in vain for the required product in the cash market. Predictably, prices rose dramatically. Market highs on May 2nd and 3rd of 1917, the two days immediately preceding suspension of trading, were \$2.80-1/2 and \$3.05 respectively. Substantially the same thing occurred in Chicago.

With the market unable to operate under the conditions of a government backed corner, and with wartime disruptions at their most severe, the Exchange suspended trading and established a committee to set wheat prices on a daily basis. However, this price setting procedure was entirely illegal, and the Exchange appealed to the government to establish a legal process until such time as normal commercial activity could be resumed. This the government did, naming 11 members to the Board of Grain Supervisors on July 20th. The Board had representation from all affected interests: the Exchange itself, the grain trade, millers, farm organizations, and the cooperative sector.

The Board operated for two years, and in July of 1919, the government decided to open the market again. It was prematurely done. Overseas buying was still in the hands of government bodies, and not only the government but the banks too were concerned about the ability of the trade to find ready markets. Had centralized buying agencies balked at taking Canadian wheat immediately after harvest, the wheat may have been held back, with consequent loss. Hence, with

some reluctance, the federal government opted to continue centralized marketing for another year, and the first Canadian Wheat Board was established by Order-in Council on July 31, 1919.

Between the dissolution of the war time Board, and the appointment of the 1919 body, the market had been open for a week, and the price had advanced from \$2.24-5/8 to \$2.45-1/2. The government subsequently fixed an initial price of \$2.15 per bushel for No. 1 Northern wheat. An interim payment of a further 30 cents per bushel was made on July 9, 1920, and a final payment of 18 cents on November 4. Thus producers realized a total of \$2.63 for the top grade of wheat, basis Fort William, under the Wheat Board operation.

#### E. The Post-War Price Collapse

THE MARKET OPENED for business again on the 18th of August, 1920, and for the remaining two weeks of the 1919/20 crop year, the price of No 1 Northern wheat averaged \$2.71 and \$2.78 respectively. From these highs, the price of wheat fell almost continuously for the following three years. The disastrous decline, which affected all primary commodities the world over, is illustrated in Table A-9.

TABLE A-9

AVERAGE CASH MONTHLY PRICES FOR NO. 1 NORTHERN WHEAT<sup>14</sup>  
Basis Fort William, 1920/21 - 1922/23

Month	20/21	21/22	22/23	23/24
Sept.	\$2 73.5	\$1 48.1	\$ 99.8	\$1 06.2
Oct.	2 31.9	1 15.5	1 00.7	97.7
Nov.	2 05.0	1 10.9	1 09.7	97.3
Dec.	1 93.6	1 13.4	1 09.4	93.2
Jan.	1 94.2	1 14.5	1 08.5	96.5
Feb.	1 88.5	1 33.8	1 11.0	99.7
Mar.	1 90.8	1 40.5	1 12.6	98.0
Apr.	1 76.5	1 42.7	1 20.5	98.3
May	1 86.5	1 43.9	1 17.4	1 04.3
June	1 88.8	1 33.4	1 14.8	1 14.0
Jul.	1 82.6	1 35.9	1 08.3	1 35.3
Aug.	1 80.3	1 17.9	1 12.9	1 43.5

F. Monthly Exports and Grain Movement Before and During the Pools' Operations

THE DETAILED, MONTH BY MONTH DATA on grain exports and movement which form the basis of evaluation of the Pools' claims about orderly marketing are contained in the following two tables.

TABLE A-10

EXPORTS OF CANADIAN WHEAT BY MONTH AND QUARTER PRIOR TO THE  
FORMATION OF THE POOLS<sup>1-5</sup>  
1914/15 - 1922/23

Mo	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	Tot
Sep	3.1	6.1	10.8	2.2	1.8	2.2	3.9	7.1	9.2	46.4
Oct	9.6	32.2	12.3	14.3	5.7	3.8	16.5	21.1	37.6	153.1
Nov	11.7	43.1	15.2	24.8	4.5	8.6	26.1	29.3	55.3	218.6
Tot	24.4	81.4	38.3	41.3	12.0	14.6	46.5	57.5	102.1	418.1
%										34.5
Dec	6.4	38.9	19.7	29.6	8.0	7.6	34.7	34.5	40.7	220.1
Jan	3.2	5.0	7.6	4.5	5.7	10.6	11.4	6.1	9.7	63.8
Feb	3.1	4.2	2.3	5.1	2.1	6.6	9.2	5.6	7.1	45.3
Tot	12.7	48.1	29.6	39.2	15.8	24.8	55.3	46.2	57.5	329.2
%										27.2
Mar	4.3	7.3	5.1	8.9	4.0	4.9	7.5	6.0	6.6	54.6
Apr	4.0	14.6	2.1	6.0	3.9	1.8	4.9	1.7	5.1	44.1
May	5.0	31.2	20.6	4.4	10.2	2.3	8.1	14.2	11.9	107.9
Tot	13.3	53.1	27.8	19.3	18.1	9.0	20.5	21.9	23.6	206.6
%										17.1
Jun	6.6	24.5	18.3	3.3	7.2	4.9	6.0	11.8	22.2	104.8
Jul	3.0	26.3	6.2	1.7	8.3	5.9	3.6	9.5	12.7	77.2
Aug	2.3	20.1	14.0	1.0	4.7	4.8	4.0	11.6	11.4	73.9
Tot	11.9	70.9	38.5	6.0	20.2	15.6	13.6	32.9	46.3	255.9
%										21.1
G.T.	62.3	253.5	134.2	105.8	66.1	64.0	135.9	158.5	229.5	1209.8

TABLE A-11

EXPORTS OF CANADIAN WHEAT BY MONTH AND QUARTER AFTER THE FORMATION  
OF THE POOLS

1923/24 - 1929/30

Mo	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Tot
Sep	5.3	10.3	15.9	10.6	14.1	26.9	7.4	90.5
Oct	29.1	14.3	41.9	30.6	19.4	43.7	20.7	199.7
Nov	64.2	27.0	34.8	43.9	52.8	75.4	22.4	320.5
Tot	98.6	51.6	92.6	85.1	86.3	146.0	50.5	610.7
%								34.3
Dec	57.4	29.8	57.0	44.9	44.8	49.1	16.0	299.0
Jan	12.3	6.1	13.2	12.6	15.2	20.8	5.0	85.2
Feb	11.8	4.1	14.0	11.4	18.4	15.2	6.7	81.6
Tot	81.5	40.0	84.2	68.9	78.4	85.1	27.7	465.8
%								26.2
Mar	13.4	4.4	20.2	16.4	18.7	21.2	11.6	105.9
Apr	6.1	5.0	5.5	20.2	8.4	7.3	3.4	55.9
May	41.2	14.9	19.0	28.7	30.3	27.1	13.5	174.7
Tot	60.7	24.3	44.7	65.3	57.4	55.6	28.5	336.5
%								18.9
Jun	24.1	9.8	27.9	15.9	21.9	25.6	19.0	144.2
Jul	16.1	13.1	16.3	6.6	32.4	17.0	19.9	121.4
Aug	8.1	15.3	9.5	12.2	25.1	10.2	17.6	98.0
Tot	48.3	38.2	53.7	34.7	79.4	52.8	56.5	363.6
%								20.4
G.T	289.1	154.1	275.2	254.0	301.5	339.5	163.2	1776.6

TABLE A-12  
RAIL SHIPMENTS FROM PRIMARY ELEVATORS PRIOR TO THE FORMATION OF  
THE POOLS

1914/15 - 1922/23

Mo	19/20	20/21	21/22	22/23	Tot
Sep	33.4	40.2	44.7	94.7	213.0
Oct	34.5	55.0	71.3	76.9	237.7
Nov	19.0	37.4	34.5	58.1	149.0
Tot	86.9	132.6	150.5	229.7	599.7
%					70.3
Dec	8.4	18.3	25.1	20.5	72.3
Jan	9.0	8.6	10.0	9.9	37.5
Feb	4.1	6.5	7.5	8.3	26.4
Tot	21.5	33.4	42.6	38.7	132.6
%					16.0
Mar	4.2	6.6	13.5	11.0	35.3
Apr	2.2	2.8	3.6	6.1	14.7
May	1.4	2.3	3.0	3.5	10.2
Tot	7.8	11.7	20.1	20.6	60.2
%					7.1
Jun	3.0	5.3	5.2	5.6	19.1
Jul	2.5	2.8	4.0	3.1	12.4
Aug	2.6	8.3	9.8	3.6	24.3
Tot	8.1	16.4	19.0	12.3	55.8
%					6.5
G.T.	124.3	194.1	232.2	301.3	851.9

TABLE A-13

RAIL SHIPMENTS FROM PRIMARY ELEVATORS AFTER THE FORMATION OF THE  
POOLS

1923/24 - 1929/30

Mo	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Tot
Sep	83.4	36.1	94.6	61.1	42.1	149.1	97.4	563.8
Oct	115.1	65.1	60.8	94.6	105.3	112.6	58.8	612.3
Nov	82.5	45.6	101.3	78.8	95.7	97.3	16.7	517.9
Tot	281.0	146.8	256.7	234.5	243.1	359.0	172.9	1694.0
%								69.1
Dec	41.5	17.6	47.8	31.7	45.8	35.0	7.3	226.7
Jan	15.1	12.5	13.7	15.5	30.8	12.6	6.4	106.6
Feb	18.7	10.5	8.8	10.8	21.1	14.0	6.8	90.7
Tot	75.3	40.6	70.3	58.0	97.7	61.6	20.5	424.0
%								17.3
Mar	15.8	8.4	5.9	12.0	13.8	14.8	4.3	75.0
Apr	6.9	4.1	5.4	6.7	11.0	10.9	2.4	47.4
May	5.6	3.4	5.6	5.1	13.1	7.9	4.0	44.7
Tot	28.3	15.9	16.9	23.8	37.9	33.6	10.7	167.1
%								6.8
Jun	10.0	6.2	6.9	8.0	12.3	11.2	8.2	62.8
Jul	4.0	3.7	3.0	6.1	7.2	6.9	4.1	35.0
Aug	1.4	3.8	5.3	1.6	3.0	17.8	34.7	67.6
Tot	15.4	13.7	15.2	15.7	22.5	35.9	47.0	165.4
%								6.7
G.T	400.0	217.0	359.1	332.0	401.2	490.1	251.1	2450.5

G. Calculations on Scoop Shovel Graph, April 1927.

IN CHAPTER VIII, REFERENCE is made to calculations performed on the graph shown in Exhibit VIII-7. The Table A-14 shows the details of those calculations. In this table, the June and December prices of the three commodities have been read from the graphs, and converted to a common basis of Canadian cents per pound, using the exchange rate prevailing for the month in question. The wheat price has then been deducted from the flour and bread prices, and the residuals shown in separate columns as indicated.

TABLE A-14

PRICES OF WHEAT AT WINNIPEG AND OF FLOUR AND BREAD IN BRITAIN AND THE DIFFERENCES BETWEEN THEM IN CANADIAN CENTS PER POUND AS DRAWN FROM THE SCOOP SHOVEL GRAPHS, 1927.

Year	Month	Wheat Price	Flour Price	Flour Price minus Wheat Price	Bread Price	Bread Price minus Wheat Price
(.....cents per pound.....)						
1921	June	2.98	5.34	2.36	5.99	3.01
	Dec	1.77	4.00	2.23	4.85	3.08
1922	June	2.26	3.94	1.68	4.82	2.56
	Dec	1.74	3.60	1.86	4.50	2.76
1923	June	1.89	3.62	1.73	4.43	2.54
	Dec	1.56	3.19	1.63	3.96	2.40
Average, 1921-23		2.03	3.95	1.92	4.76	2.73
1924	June	1.69	3.21	1.52	3.89	2.20
	Dec	2.62	4.46	1.84	5.05	2.43
1925	June	2.82	4.60	1.78	5.32	2.50
	Dec	2.33	4.29	1.96	4.80	2.47
1926	June	2.54	4.60	1.96	5.06	2.52
	Dec	2.22	4.33	2.11	5.05	2.85
Average, 1924-26		2.37	4.25	1.86	4.86	2.49
Average, all years		2.20	4.09	1.88	4.81	2.61

Points to take from Table A-14:

1. The price of wheat was only a part of the price of flour and bread: on average about 54 percent (2.20 cents out of 4.09 cents per pound) and 46 percent (2.20 cents out of \$4.81 per pound) respectively.

2. The items compared in the graph (Exhibit VIII-7) therefore, were not themselves of comparable size, however much they may have been made to appear so by the choice of scales.

3. The increase in the price of flour between the pre- and post-Pool periods, from 3.95 to 4.25, or 0.30 cents per pound, was almost identical to the increase in the price of No. 1 Northern, from 2.03 to 2.37, or 0.34 cents per pound.

4. The advance in the price of flour was almost exactly the same as the advance in the wheat, and the apparent relative positions of the two curves in the upper portion of Exhibit VIII-7, with the one seeming to fall first "below" and then "above" the other, was an illusion.

Not only was it false to say that the price of Canadian wheat rose by more than the price of flour, in fact it may be easily demonstrated that the actual relationship of the flour price to wheat price was exactly the reverse of the *Scoop Shovel's* statement. If the flour whose price was portrayed in Exhibit VIII-7 had been composed entirely of No. 1 Northern, then it would have been correct, as per note 3 above, to say that the increase in the price of flour was almost exactly equal to the increase in the price of wheat. However, No.1 Northern was only a fraction of the wheat used in the flour mix, and we know from the figures which the *Scoop Shovel* itself had printed the previous month that No. 1 Northern rose in price by more than did the average wheat price. So the average price of the total wheat component must have risen by less than 0.34 cents per pound. Accordingly, if the price of flour rose by 0.3 cents per pound, it must have risen by more than the average price of wheat. Table A-14, therefore, presents a *prima facie* case that is the direct opposite to what was claimed. These facts were obscured, however, by the entirely misleading technique of plotting two curves to different scales on the same graph.

#### H. Appendix A to the Williams Commission Report

APPENDIX A TO THE WILLIAMS REPORT is reproduced here as it appeared in the final report. It can be seen that the percentage of elevators being short or even on their weigh-overs was lower for the Pools than it was for both UGG and the private companies, and the percentage of elevators

showing high weight gains (over 1-1/2%) was correspondingly higher for the Pools than the others.

APPENDIX "A"

Company Year	Pool	Pool	Pool	UGG		Line Co.	Line Co.	Line Co.	Line Co.
	Elev 1927- 1928	Elev 1928- 1929	Elev 1929- 1930	1928- 1929	1929- 1930	A 1929- 1930	B 1929- 1930	C 1928- 1929	D 1929- 1930
Shortage	5	16	12	23	24	53	39	29	40
Even				5	6	4			3
1/2% or less	21	35	26	21	23	90	48	59	54
1/2 to 1%	15	44	40	33	31	53	40	38	32
1 to 1-1/2%	10	33	38	22	15	19	12	6	6
1-1/2 to 2%	4	9	30	3	5	3	5	2	
2 to 2-1/2%	2	4	5	1	1			1	1
2-1/2 to 3%		1	2						
Over 3%	1	1	2			1		1	.
Number of Elevators	58	143	155	108	105	223	144	136	136

NOTES TO CHAPTER I

- <sup>1</sup> *Grain Growers Guide*, Oct 18, 1911. Henceforth cited in this chapter and throughout this study simply as *Guide*.
- <sup>2</sup> Harold A. Innis, ed., *The Diary of Alexander James McPhail* (Toronto: The University of Toronto Press, 1940), p. 265.
- <sup>3</sup> Donald M. McCloskey, "The Rhetoric Economics," *Journal of Economic Literature*, vol. xxi (June 1983), p. 503.
- <sup>4</sup> A fact well illustrated by the recent controversy over the decision (February 1990) to remove oats from the jurisdiction of the Canadian Wheat Board.
- <sup>5</sup> Vernon Fowke, *The National Policy and the Wheat Economy* (Toronto: University of Toronto Press, 1957), p. 186; emphasis added.
- <sup>6</sup> Canada, *Report of the Royal Grain Inquiry Commission*, by Justice W.F.A. Turgeon (Ottawa: King's Printer), p. 128.
- <sup>7</sup> Graham L. Rees, R.S. Cray and D.R. Jones, *Britain's Commodity Markets* (London: Paul Elek Books, 1972).
- <sup>8</sup> Richard Allen, Introduction to reprint edition of *The New Christianity*, by Salem G. Bland (Toronto, Buffalo: University of Toronto Press, 1973), p. viii.
- <sup>9</sup> Josiah Stamp, *Christianity and Economics* (London: Macmillan and Co.), p. 164.
- <sup>10</sup> See Michael Gauvreau, *The Evangelical Century: College and Creed in English Canada from the Great Revival to the Great Depression* (Montreal and Kingston: McGill-Queen's University Press, 1991).
- <sup>11</sup> Winnipeg Grain Exchange, *The Wheat Pool Marketing Experiment, 1921 - 1932* (Winnipeg: Winnipeg Grain Exchange, 1933).
- <sup>12</sup> Fowke, *National*, p. 191.
- <sup>13</sup> Richard Allen, *The Social Passion: Religion and Social Reform in Canada, 1914 - 28* (Toronto: University of Toronto Press, 1970); "The Social Gospel as the Religion of the Agrarian Revolt," in R. Douglas Francis and Howard Palmer, *The Prairie West, Historical Readings* (Edmonton: Pica Pica Press, 1985), pp. 439-449.
- <sup>14</sup> MacPherson, Ian, *Each for All: A History of the Co-operative Movement in English Canada, 1900 - 1945* (Toronto: Macmillan of Canada, 1979).
- <sup>15</sup> Thompson, John Herd, *Canada, 1922 - 1939: Decades of Discord* (Toronto; McClelland and Stewart, 1985.)
- <sup>16</sup> Levine, Allen, *The Exchange: 100 Years of Trading Grain in Winnipeg* (Winnipeg: Peguis Publishers Limited, 1987).
- <sup>17</sup> Candlish, et. al., *State of the Industry* (Winnipeg: Canada Grains Council, 1973), pp. 69 - 70.

NOTES TO CHAPTER II

- <sup>1</sup> David McLellan, *Ideology* (Minneapolis: University of Minnesota Press, 1986), p. 1.
- <sup>2</sup> See McLellan, *passim* and Bhiku Parekh, "Social and Political thought and the Problem of Ideology," in Robert Benewick and R.N. Berki, *Knowledge and Belief in Politics* (Allen and Unwin, 1973), pp. 58 - 60.
- <sup>3</sup> See McLellan.
- <sup>4</sup> The words are Durkheim's from *The Rules of Sociological Methods*, quoted by McLellan at p. 36.
- <sup>5</sup> Karl Mannheim, *Ideology and Utopia: An Introduction to the Sociology of Knowledge* (New York: Harcourt Brace and Co., 1936), pp. 55, 56.
- <sup>6</sup> *Ibid.*, p. 264.
- <sup>7</sup> *Ibid.*, p. 283.
- <sup>8</sup> Jeffery Taylor, "Dominant and Popular Ideologies in the Making of Rural Manitobans, 1890 - 1925" (Ph.D. dissertation, University of Manitoba, 1988).
- <sup>9</sup> Karl Marx, *The German Ideology*, quoted in Fritz Stern (ed.), *The Varieties of History: From Voltaire to the Present* (New York: Random House, Vintage Books, 1973), p. 149.
- <sup>10</sup> R.N. Berki, "The Marxian Concept of Bourgeois Ideology: Some Aspects and Perspectives," in Robert Benewick and R.N. Berki, *Knowledge and Belief in Politics* (Allen and Unwin, 1973), p. 88.
- <sup>11</sup> Mannheim, pp. 125, 277; McLellan, pp. 42, 43.
- <sup>12</sup> Nicholas Abercrombie, Stephen Hill, Bryan Turner, *The Dominant Ideology Thesis* (London and Boston: G. Allen and Unwin, 1980), p. 1.
- <sup>13</sup> Quoted in Robert Heilbroner, *The Worldly Philosophers* (New York: Simon and Schuster Inc, Touchstone Books, 1986, first published, 1953), p. 155.
- <sup>14</sup> Abercrombie *et al.*, pp. 7, 8.
- <sup>15</sup> Taylor, p. 46.
- <sup>16</sup> Taylor, p. 44.
- <sup>17</sup> *Ibid.*, pp. 13, 14.
- <sup>18</sup> *Ibid.*, pp. 77, 73.
- <sup>19</sup> *Ibid.*, pp. 78, 79, 159.
- <sup>20</sup> *Ibid.*, p. 47.
- <sup>21</sup> *Ibid.*, p. 48.
- <sup>22</sup> *Ibid.*, p. 319.
- <sup>23</sup> Manitoba Grain Growers Association, *Report of Proceedings [of the Annual Convention]* (1917), p. 45. Boldface in the original.
- <sup>24</sup> Abercrombie *et al.*, p. 140. The authors cited property, managerial authority, the meritocratic determination of income and privilege, and the common interests of labour and

management as items considered to be constituents of the dominant ideology, but found in these studies not to be shared by subordinate groups.

<sup>25</sup> Abercrombie *et. al.*, p. 153.

<sup>26</sup> T. Bottomore, Forward to Abercrombie *et. al.*, p. ix.

<sup>27</sup> Owen Barfield, *Saving the Appearances: A Study in Idolatry* (New York and London: Harcourt Brace Jovanovich, Harvest/HBJ Books, n.d.), p. 24.

<sup>28</sup> *Ibid.*, p. 42.

<sup>29</sup> *Ibid.*, pp. 50, 51.

<sup>30</sup> Roger S. Jones, *Physics as Metaphor* (New York and Scarborough, Ont.: New American Library, n.d., originally published at Minneapolis: University of Minnesota Press, 1982), pp. 5, 15, 206 - 7.

<sup>31</sup> *Ibid.*, pp. 207, 8. Jones cited a number of authors and works as follows: Henri Poincare, *The Foundations of Science*; M. Polanyi, *The Tacit Dimension*; T.S. Kuhn, *The Structure of Scientific Revolutions*; G. Holton, *Thematic Origins of Scientific Thought*; H.I. Brown, *Perception, Theory and Commitment*.

<sup>32</sup> Donald M. McCloskey, "The Rhetoric Economics," *Journal of Economic Literature*, vol. xxi, June 1983, McCloskey, pp. 502, 503; the definition of metaphor is by philosopher Max Black. See also Joan Robinson, *Economic Philosophy* (Harmonsworth, Eng.: Penguin, 1964), pp. 18 - 19. Even Robert Solow, arguing fundamentally in support of the scientific and objective nature of economics, admitted that the language of economics was value laden. See Robert M. Solow, "Science and Ideology in Economics" in Daniel Bell and Irving Kristol (eds), *Capitalism Today* (New York: Basic Books Inc., 1970, 1971), p. 99.

<sup>33</sup> McCloskey, pp. 507 - 8.

<sup>34</sup> These words are Schumpeter's, from *History of Economic Analysis* (New York and London, 1954) pp. 41 - 42 and 561 - 562, quoted by Maurice Dobb in *Theories of Value and Distribution Since Adam Smith: Ideology and Economic Theory* (Cambridge, England: University of Cambridge Press, 1973), pp. 3, 5.

<sup>35</sup> Joseph Schumpeter, "Science and Ideology" in Richard V. Clemence (ed.), *Essays [of Joseph Schumpeter] On Entrepreneurs, Innovations, Business Cycles, and the Evolution of Capitalism* (New Brunswick, U.S.A. and Oxford England: Transaction Publishers, 1989), pp. 274, 276, 278. See also Warren M. Samuels, "Ideology and Economics," in Sidney Weintraub (ed.), *Modern Economic Thought* (Philadelphia: University of Pennsylvania Press, 1977), pp. 474 - 5, for a similar viewpoint.

<sup>36</sup> Gunnar Myrdal, *The Political Element in the Development of Economic Theory*, trans. Paul Streeten (New Brunswick, U.S.A., and London: Transaction Publishers, 1990, first published Cambridge: Harvard University Press, 1954), p. 20.

- <sup>37</sup> Dobb, pp. 16 - 18.
- <sup>38</sup> *Ibid.*, pp. 21, 22.
- <sup>39</sup> *Ibid.*, p. 11.
- <sup>40</sup> *Ibid.*, pp. 18 - 19.
- <sup>41</sup> *Ibid.*, p. 7.
- <sup>42</sup> *Ibid.*, p. 26.
- <sup>43</sup> *Ibid.*, p. 31.
- <sup>44</sup> The words are Smith's and Ricardo's respectively, quoted by Dobb at pp. 31, 32.
- <sup>45</sup> Dobb, p. 32; the quote from Marx is from *Theorien uber den Mehrwert*.
- <sup>46</sup> *Ibid.*, pp. 33 - 35.
- <sup>47</sup> Clifford Geertz, *The Interpretation of Cultures* (New York: Basic Books, 1973), p. 219.
- <sup>48</sup> *Ibid.*, p. 207.
- <sup>49</sup> *Ibid.*, p. 210.
- <sup>50</sup> *Ibid.*, p. 211.
- <sup>51</sup> *Ibid.*, pp. 216; 220.
- <sup>52</sup> Gordon Harland, *The Thought of Reinhold Niebuhr* (New York: Oxford University Press, 1960), pp. 237, 238.
- <sup>53</sup> *Ibid.*, p. 239.
- <sup>54</sup> Reinhold Niebuhr, *Children of Light and Children of Darkness: A Vindication of Democracy and a Critique of its Traditional Defense* (New York: Charles Scribner's Sons, 1944, 1972), p. 9.
- <sup>55</sup> *Ibid.*, p. 7.
- <sup>56</sup> *Ibid.*, pp. 16 - 17.
- <sup>57</sup> *Ibid.*, pp. 99, 106 - 109.
- <sup>58</sup> *Ibid.*, pp. 110 - 113.
- <sup>59</sup> *Ibid.*, pp. 61 - 63.
- <sup>60</sup> *Ibid.*, p. 118.
- <sup>61</sup> Gordon Harland, *Christian Faith and Society* (Calgary: University of Calgary Press, 1988), p. 81.
- <sup>62</sup> Harland, *Niebuhr*, p. 102. The embedded quote is from Niebuhr's *Christian Realism and Political Problems*.
- <sup>63</sup> Reinhold Niebuhr, *The Irony of American History*, (Charles Scribner's Sons, 1962), p. 133.
- <sup>64</sup> Mannheim, p. 280.

NOTES TO CHAPTER III

- <sup>1</sup> Robert Heilbroner, *The Nature and Logic of Capitalism* (New York and London: W.W. Norton and Co., 1985, Norton Paperback, 1986), p. 109.
- <sup>2</sup> *Ibid.*, p. 108 and pp 119 - 124.
- <sup>3</sup> Karl Polanyi, "Societies and Economic Systems," in George Dalton (ed), *Primitive Archaic and Modern Economies: Essays of Karl Polanyi* (New York: Doubleday and Co. Ltd., 1968), p. 7.
- <sup>4</sup> Heilbroner, p. 110.
- <sup>5</sup> William Grampp, *Economic Liberalism*, vol. II: *The Classical View* (New York: Random House, 1965), p. 32. See Also Heilbroner, p. 109, 110.
- <sup>6</sup> Grampp, p. viii
- <sup>7</sup> Heilbroner, pp. 120, 121.
- <sup>8</sup> Polanyi, "Societies," p. 7
- <sup>9</sup> Grampp, p. 43 - 44.
- <sup>10</sup> Polanyi, "Societies," pp. 10 - 19
- <sup>11</sup> Polanyi, "Our Obsolete Market Mentality," in Dalton, pp. 65, 66
- <sup>12</sup> Polanyi, "Obsolete," p. 60, 61.
- <sup>13</sup> Grampp, p. 13.
- <sup>14</sup> Jacob Viner, *The Intellectual History of Laissez Faire*, (Chicago: The University of Chicago Law School, 1961), p. 45.
- <sup>15</sup> Heilbroner, p. 121.
- <sup>16</sup> Gunnar Myrdal, *The Political Element in the Development of Economic Theory*, trans. Paul Streeter (New Brunswick, U.S.A. and London: Transaction Publishers, 1990, first published Cambridge: Harvard University Press, 1954), p. 106ff.
- <sup>17</sup> *Ibid.*, p. 112.
- <sup>18</sup> *Ibid.*, pp. 24ff.
- <sup>19</sup> Richard Posner, *Economics of Justice* (Cambridge Mass.: Harvard University Press, 1971), p. 56, 57.
- <sup>20</sup> Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London: Macmillan, 1935), p. 75.
- <sup>21</sup> Robbins, p. 95.
- <sup>22</sup> Grampp, p. 43, 44.
- <sup>23</sup> Robbins, pp. 94 - 97.
- <sup>24</sup> Polanyi "Societies," pp. 3,4.
- <sup>25</sup> Polanyi, "Obsolete," pp. 69, 70, 71.
- <sup>26</sup> Quoted in Grampp, p. 105, 106.
- <sup>27</sup> Myrdal, pp. 44,45.
- <sup>28</sup> Heilbroner, p. 60.
- <sup>29</sup> Polanyi, "The Self Regulating Market," in Dalton, pp. 32, 33. See also Robert Kuttner, "The Poverty of Economics," *Atlantic*, February, 1985, p. 76.

<sup>30</sup> Robert M. Solow, "Science and Ideology in Economics," in Daniel Bell and Irving Kristol (eds), *Capitalism Today* (New York: Basic Books, 1970, 1971), p. 100.

<sup>31</sup> Warren M. Samuels, "Ideology and Economics," in Sidney Weintraub (ed.), *Modern Economic Thought* (Philadelphia: University of Pennsylvania Press, 1977), pp. 474 - 5.

<sup>32</sup> See Colin Burnell's words about "playing ducks and drakes with the necessities of the masses" quoted elsewhere.

<sup>33</sup> Kuttner, pp. 79, 80.

NOTES TO CHAPTER IV

- <sup>1</sup> Charles Gide and Charles Rist, *A History of Economic Doctrines from the Time of the Physiocrats to the Present Day*, trans. R. Richards (Boston: D.C. Heath, 1948), p. 413.
- <sup>2</sup> Robert Heilbroner, *The Worldly Philosophers* (New York: Simon and Schuster, 1986, first published, 1953), pp. 105, 106.
- <sup>3</sup> P.H. Casselman, *The Cooperative Movement and Some of its Problems* (New York: Philosophical Library, 1952) cited by Ewell Paul Roy, *Cooperatives: Development, Principles and Management*, 3rd ed. (Danville, Illinois: Interstate Printers and Publishers Inc., 1976), p. 34.
- <sup>4</sup> Heilbroner, pp. 107, 108.
- <sup>5</sup> Arnold Bonner, *British Co-operation: The History, Principles, and Organization of the British Co-operative Movement* (Manchester: Co-operative Union Ltd., 1961), p. 12. These words are Owen's own.
- <sup>6</sup> *Ibid.*, pp. 11, 17.
- <sup>7</sup> *Ibid.*, p. 14.
- <sup>8</sup> The account in the succeeding paragraphs is taken mostly from Bonner and from G.D.H. Cole, *A Century of Co-operation* (Manchester: Co-operative Union Ltd., [1944]).
- <sup>9</sup> Cole, p. 75.
- <sup>10</sup> Beatrice Potter [Webb], *The Cooperative Movement in Great Britain* (London: S. Sonnenschein & Co., New York: C. Scribner's Sons, 1904), p. 60.
- <sup>11</sup> Ian MacPherson, *Each for All: A History of the Co-operative Movement in English Canada, 1900 - 1945*, (Toronto: Macmillan of Canada, 1979), pp. 186ff.
- <sup>12</sup> *Ibid.*, p. 4, 5.
- <sup>13</sup> *Ibid.*, p. 4.
- <sup>14</sup> Thomas .W. Mercer, *Towards the Co-operative Commonwealth: Why Poverty in the Midst of Plenty?* (Manchester, England: Co-operative Press Ltd, 1936), p. 5.
- <sup>15</sup> *Ibid.*, p. 202.
- <sup>16</sup> *Ibid.*, p. 1.
- <sup>17</sup> *Ibid.*, p. 45.
- <sup>18</sup> *Ibid.*, p. 205.
- <sup>19</sup> *Ibid.*, p. 163.
- <sup>20</sup> *Ibid.*, pp. 202, 203.
- <sup>21</sup> *Ibid.*, p. 203.
- <sup>22</sup> *Ibid.*, pp. 54, 69, 73.
- <sup>23</sup> *Ibid.*, p. 205.
- <sup>24</sup> Moses Coady, *Masters of Their Own Destiny; The Story of the Antigonish Movement of Adult Education Through Economic Co-operation* (New York: Harper, 1939), pp. 19 -20.
- <sup>25</sup> *Ibid.*, p. 21.
- <sup>26</sup> *Ibid* , p. 74.

<sup>27</sup> E.G. Nourse, "The Economic Philosophy of Co-operation," *American Economic Review* vol. xii, no. 4 (December, 1922), p. 585, 586.

<sup>28</sup> *Ibid.*, p. 578.

<sup>29</sup> *Ibid.*, pp. 579, 580.

<sup>30</sup> *Ibid.*, p. 583.

<sup>31</sup> *Ibid.*, pp. 586, 587.

<sup>32</sup> *Ibid.*, p. 587.

<sup>33</sup> *Ibid.*, pp. 592, 594.

<sup>34</sup> *Ibid.*, p. 595.

<sup>35</sup> Mercer, p. 69.

<sup>36</sup> Nourse, p. 591.

<sup>37</sup> Chester M.A. Destler, "Western Radicalism, 1865 - 1901: Concepts and Origins," *Mississippi Valley Historical Review* vol. xxxi, no. 3 (December 1944), p. 363.

<sup>38</sup> *Ibid.*, p. 353.

<sup>39</sup> *Ibid.*, p. 356.

<sup>40</sup> James H. Shidler, *Farm Crisis, 1919 - 1923* (Berkeley and Los Angeles: University of California Press, 1957), p. 91.

<sup>41</sup> *Ibid.*, p. 102.

<sup>42</sup> *Ibid.*, p. 111. the Farm Bureau was the central U. S. farm lobby group of the time.

NOTES TO CHAPTER V

- <sup>1</sup> William L. Morton, *The Progressive Party in Canada* (Toronto: University of Toronto Press, 1950), p. 28.
- <sup>2</sup> C. Howard Hopkins, *The Rise of the Social Gospel in American Protestantism*, (New Haven: Yale University Press, 1940), p. 3.
- <sup>3</sup> R.C. White and C. Howard Hopkins, *The Social Gospel: Religion and Reform in Changing America* (Philadelphia: Temple University Press, 1976), pp. xiii - xv.
- <sup>4</sup> Henry May, *Protestant Churches in Industrial America* (New York: Octagon Press, 1963), pp. 91 - 111.
- <sup>5</sup> *Ibid.*, p. 171.
- <sup>6</sup> *Ibid.*, p. 173.
- <sup>7</sup> George Marsden, *Fundamentalism and American Culture: The Shaping of Twentieth-Century Evangelicalism, 1870 - 1925* (Oxford and New York: Oxford University Press, 1982), pp. 55 - 61 and passim.
- <sup>8</sup> *Ibid.*, p. 17.
- <sup>9</sup> Gordon Harland, *Christian Faith and Society* (Calgary: University of Calgary Press, 1988), p. 6.
- <sup>10</sup> H. Richard Niebuhr, *The Kingdom of God in America* (New York: Harper and Row, 1937; reprinted New York: Harper Torchbooks, 1959), p. 9, 10.
- <sup>11</sup> H.R. Niebuhr, p. 161.
- <sup>12</sup> May, p. 182, p. 83.
- <sup>13</sup> *Ibid.*, pp. 84 - 85.
- <sup>14</sup> Stefan Zweig, *The World of Yesterday*, (Lincoln, Nebraska and London: University of Nebraska Press, 1954, first published Viking Press, 1943), p. 3.
- <sup>15</sup> May, pp. 85 - 87.
- <sup>16</sup> Hopkins, p. 3.
- <sup>17</sup> Walter Rauschenbusch, *A Theology for the Social Gospel* (New York: The Macmillan Co., 1917), pp. 4 - 5.
- <sup>18</sup> Robert T. Handy, *The Social Gospel in America*, (New York: The Oxford University Press, 1966), p. 10.
- <sup>19</sup> Richard Allen, *The Social Passion: Religion and Social Reform in Canada, 1914 - 28* (Toronto: University of Toronto Press, 1970), p. 4.
- <sup>20</sup> Magney claimed that the terms social Christianity and social gospel were "never precisely defined;" see William Magney, "The Methodist Church and the Social Gospel," *The Bulletin* [of the United Church of Canada Archives] vol. 20 (1968), p. 4.
- <sup>21</sup> Hopkins, p. 233ff.
- <sup>22</sup> *Guide*, Nov. 12, 1913, p. 16.
- <sup>23</sup> John Line, "The Philosophical Background," in R.B.Y. Scott and Gregory Vlastos, *Towards the Christian Revolution*

- (Kingston, Ontario: Ronald P. Frye and Co., 1989, first published Willett Clark and Co., 1936), p. 6.
- <sup>24</sup> Walter Rauschenbusch, *Christianity and the Social Crisis* (New York: Harper & Row, 1964, first published New York and London: Macmillan, 1907), pp. 214, 217, 218.
- <sup>25</sup> Rauschenbusch, *Social Crisis*, p. 387.
- <sup>26</sup> *Ibid.*, p. 229.
- <sup>27</sup> Charles Strain, "Towards a Generic Analysis of a Classic of the Social Gospel: An Essay Review of Walter Rauschenbusch, *Christianity and the Social Crisis*," *Journal of the American Academy of Religion* vol. XLVI, no. 4, p. 534.
- <sup>28</sup> Rauschenbusch, *Social Crisis*, pp. 14, 230.
- <sup>29</sup> See Rauschenbusch, *Social Crisis*, pp. 230 - 231; 387 - 388.
- <sup>30</sup> Line, p. 9.
- <sup>31</sup> *Ibid.*, p. 10.
- <sup>32</sup> Rauschenbusch, *Social Crisis*, pp. 264 - 271
- <sup>33</sup> Line, p. 15
- <sup>34</sup> Rauschenbusch, *Social Crisis*, pp. 309 - 311.
- <sup>35</sup> *Ibid.*, *Social Crisis*, p. 397, emphasis added.
- <sup>36</sup> *Ibid.*, pp. 421 -2, emphasis added.
- <sup>37</sup> Eugene Forsey, "A New Economic Order," in Scott and Vlastos, p. 143.
- <sup>38</sup> Strain, pp. 528, 537.
- <sup>39</sup> *Guide*, June 6, 1917, p. 11. See also, H.W. Wood, on UFA Sunday, *Guide*, April 19, 1916, p. 11.
- <sup>40</sup> Strain, p. 529.
- <sup>41</sup> *Ibid.*, p. 529. The quote from Rauschenbusch is from *Christianity and the Social Crisis*.
- <sup>42</sup> Manitoba Grain Growers Association, *Report of Proceeding [of the Annual Convention]* (1919), p. 23.
- <sup>43</sup> *Guide*, Jan. 28, 1920. pp. 12 - 13.
- <sup>44</sup> *Ibid.*, Feb. 26, 1913, p.7, 10; Mar. 18, 1914, p. 13.
- <sup>45</sup> See *Ibid.*, Dec. 19, 1917; Jan. 2, 1918; April 10, 1918; Dec. 11, 1918; Jan. 1, 1919; April 13, 1919.
- <sup>46</sup> *Ibid.*, Nov. 20, 1918, p. 14.
- <sup>47</sup> Zweig, *World*, p. 4 - 5.
- <sup>48</sup> Gerald Friesen, *The Canadian Prairies: A History* (Toronto and London: University of Toronto Press, 1984), p. 348 - 9.
- <sup>49</sup> *Guide*, Nov. 20, 1918, p. 6.
- <sup>50</sup> Strain, p. 530.
- <sup>51</sup> *Ibid.*, pp. 530 - 532.
- <sup>52</sup> *Guide*, May 4, 1910, p. 9.
- <sup>53</sup> *Ibid.*, June 7, 1916, p. 11.
- <sup>54</sup> Allen, p. 203.
- <sup>55</sup> *Guide*, July 25, 1917, p. 12.
- <sup>56</sup> Strain, p. 533. The embedded quote is from John Haynes Holmes, *The Revolutioary Function of the Modern Church*, (New York: G.P. Putman's and Sons, 1912).
- <sup>57</sup> *Guide*, June 7, 1916, p. 11.

- <sup>58</sup> Strain, p. 530.
- <sup>59</sup> *Ibid.*, p. 537.
- <sup>60</sup> Magney, pp. 5 and 87.
- <sup>61</sup> *Guide*, March 18, 1914, p. 13.
- <sup>62</sup> H.R. Niebuhr, pp. 70, 119.
- <sup>63</sup> Gordon Harland, "The American Religious Heritage and the Tragic Dimension," in *Studies in Religion* vol. 2, no. 4 (1973), p. 282.
- <sup>64</sup> Hopkins, pp. 173 - 4.
- <sup>65</sup> May, pp. 241, 243; See also pp. 239 - 40 re. J.O. Huntingdon, and p. 252 re. George Herron.
- <sup>66</sup> Stewart Crysdale, *Industrial Struggle and Protestant Ethics in Canada* (Toronto: The Ryerson Press, 1961), p. 33.
- <sup>67</sup> Robert T. Handy, "Dominant Patterns of Christian Life in Canada and the United States: Similarities and Differences," in William Westfall (ed.), *Religion/Culture: Comparative Canadian Studies* (Toronto: The Association for Canadian Studies, 1984), p. 350.
- <sup>68</sup> Salem G. Bland, *The New Christianity* (Toronto: McLelland and Stewart, 1920), p. 49.
- <sup>69</sup> Magney, p. 63.
- <sup>70</sup> Richard Allen, "The Social Gospel as the Religion of the Agrarian Revolt," in R. Douglas Francis and Howard Palmer, *The Prairie West, Historical Readings* (Edmonton: Pica Pica Press, 1985), pp. 440 -441.
- <sup>71</sup> References to his interest are scattered in his grain grower statements, but show up clearly in his personal correspondence. See the Musselman papers.
- <sup>72</sup> MGGGA *Proceedings* (1918), p. 63.
- <sup>73</sup> Allen. "Religion," p. 441.
- <sup>74</sup> Ramsay Cook, "Ambiguous Heritage: Wesley College and the Social Gospel Reconsidered," *Manitoba History*, no. 19, (Spring 1990).
- <sup>75</sup> The underlining is Irwin's, and was frequently used by him.
- <sup>76</sup> Irwin, "Supremacy."
- <sup>77</sup> *Guide*, Apr. 19, 1916, p. 11.
- <sup>78</sup> *Ibid.*, June 7, 1916, p. 11
- <sup>79</sup> *Ibid.*, June 6, 1917, p. 10.
- <sup>80</sup> *Ibid.*, Aug. 11, 1920, p. 19.
- <sup>81</sup> *Ibid.*, Mar. 18, 1914, p. 13.
- <sup>82</sup> *Ibid.*, July 30, 1919, p. 10.
- <sup>83</sup> *Ibid.*, July 7, 1920, p. 77.

NOTES TO CHAPTER VI

- <sup>1</sup> Ian MacPherson, *Each for All: A History of the Co-operative Movement in English Canada, 1900 - 1945*, (Toronto: Macmillan of Canada, 1979), pp. 46, 47; the term "pragmatists" is used at p. 106.
- <sup>2</sup> Slightly under three-quarters of the 1916 "Farmers' Platform" dealt with the tariff issue, while only two of the remaining elements (nationalization of communication and railway links, and retention of natural resources by the Crown) could be argued to be incompatible with *laissez faire*. See: *Guide*, Dec. 13, 1916, p. 7.
- <sup>3</sup> *Guide*, Oct. 1, 1913. See also cartoons *Guide*, Feb. 5, 1919, p. 6; Feb. 19, 1919, p. 6
- <sup>4</sup> *Guide*, Sept. 26, 1917, p. 6
- <sup>5</sup> Manitoba Grain Growers Association *Record of Proceedings [of Annual Convention]* (1914), p. 13. See also, MGGGA *Proceedings* (1915), p. 12.
- <sup>6</sup> *Guide*, July 21, 1915, p. 15.
- <sup>7</sup> *Guide*, July 2, 1919, p. 56.
- <sup>8</sup> *Scoop Shovel*, April 1928, p. 10. It should be noted that the notion of wealth as socially produced did not lead the grain growers to the extreme position that private property should be abolished. As Paul Bredt, President of Manitoba Pool Elevators, put it in a radio address in 1934: "All through the ages it has been the dream and ambition of every normal person to have a piece of land which he can call his own." See Wheat Pool Organizations of Manitoba, Saskatchewan and Alberta, *The Canadian Pools on the Air* (Wheat Pool Organizations of Manitoba, Saskatchewan and Alberta, January, 1935), p. 20. A copy of this pamphlet may be found in the United Grain Growers Collection, University of Manitoba Archives, Winnipeg, Manitoba (henceforth cited as UGG Collection.)
- <sup>9</sup> MGGGA *Proceedings* (1917), pp. 26 - 27.
- <sup>10</sup> *Guide*, May 4, 1910, p. 13; August 4, 1920, p. 19.
- <sup>11</sup> See *Guide*, May 18, 1910, p., 13, letter from F.J. Collyer; May 18, 1910, p. 13 letter from W. Meyer.
- <sup>12</sup> MGGGA, *Proceedings*, (1916), p. 17.
- <sup>13</sup> *Guide*, Feb. 23, 1921, p. 14. See also, Wheat Pool Organizations of Manitoba, Saskatchewan and Alberta, *The Canadian Pools on the Air: Second Series* (Wheat Pool Organizations of Manitoba, Saskatchewan and Alberta, March, 1936) p. 49, and *Evidence and Proceedings before the Commission to Inquire into trading in grain Futures* (Winnipeg: Grain Trade News, April, 1931), 240.
- <sup>14</sup> *Scoop Shovel*, July, 1928, pp. 15, 17.
- <sup>15</sup> *Guide*, Jan. 29, 1913, p. 13.
- <sup>16</sup> *Guide*, August 4, 1920, p. 19.

- <sup>17</sup> MGGGA *Proceedings*, (1912), p. 29.
- <sup>18</sup> *Guide*, Jan. 15, 1913, p. 7.
- <sup>19</sup> *Guide*, Apr. 10, 1912, pp. 7, 8.
- <sup>20</sup> *Guide*, June 4, p. 8; June 25, 1913, cover page; July 16, 1913, p. 4. See also, Jan. 13, cover page, June 11, p. 8, June 18, p. 8, Nov. 5, p. 4.
- <sup>21</sup> *Guide*, June 25, 1913, p. 9; the term "Triple Alliance" was borrowed from European politics, originally applying to Bismark's pact between Germany, Austria-Hungary, and Italy, but neatly transferred in Western Canada to refer to the banks, the railways and the manufacturers; June 25, 1913, p. 11.
- <sup>22</sup> *Scoop Shovel*, Jan, 1926, p. 8.
- <sup>23</sup> *Guide*, Jan. 28, 1914, p. 8.
- <sup>24</sup> *Guide*, Oct. 15, 1919, p. 33.
- <sup>25</sup> Ransom, F.W., radio broadcast, Nov. 18, 1946, Manitoba Pool Elevators Collection, University of Brandon Archives, Brandon, Manitoba (henceforth cited as MPE Collection.) See also R.C Henders in MGGGA *Proceedings* (1913), p. 13 and H.W. Wood speech to the United Farmers of Alberta as reported in the *Guide*, Jan. 29, 1919, p. 28 for other instances of the same phrase.
- <sup>26</sup> *Guide*, May 4, 1910, p. 30. The awkward syntax of this paragraph is the *Guide's*, and the quote is exact.
- <sup>27</sup> *Guide*, Jan. 30, 1918, p. 8.
- <sup>28</sup> *Guide*, Apr. 23, 1919, p. 10.
- <sup>29</sup> *Guide*, Mar. 22, 1922, p. 19.
- <sup>30</sup> *Scoop Shovel*, April, 1928, p. 10. See other *Scoop Shovel* articles by Ransom, notably Jan., 1926, p. 8, and Jan., 1928, p. 9 for other material.
- <sup>31</sup> Ransom, F.W., radio broadcast, April 7, 1933, MPE Collection. See also, Hull, J.T., "Profits or Plenty," radio broadcast, Nov. 15, 1935, MPE Collection.
- <sup>32</sup> *Guide*, Jan. 17, 1917, p. 7.
- <sup>33</sup> *Guide*, July 18, 1917, p. 6.
- <sup>34</sup> *Guide*, Apr. 19, 1919, p. 8.
- <sup>35</sup> *Scoop Shovel*, June, 1928, pp. 10, 40. The words are not a direct quote, but an account of Hull's address.
- <sup>36</sup> *Guide*, Apr. 1, 1927, p. 5. See also the Parlby article in the *Guide*, Dec. 4, 1918, p. 25, and an address by her in *Pools on the Air*, p. 40, 41. For a slightly less idealistic view, but one still eschewing the values of economic man, see SWP Secretary George Robertson in *Pools on the Air: Second Series*, p. 20, and quotations from A.J. McPhail by Dr. Walter Murray of the University of Saskatchewan in *Pools on the Air: Second Series*, pp. 42, 43.
- <sup>37</sup> *Guide*, May 31, 1911, p. 7. See also the article on Irish Cooperativism, *Guide*, Dec. 13, 1916, p. 8.
- <sup>38</sup> MGGGA *Proceedings*, (1914), p. 14. See also *Guide*, Feb. 14, 1917, p. 15.
- <sup>39</sup> *Guide*, July 18, 1917, p. 6.

- <sup>40</sup> *Guide*, May 30, 1917, p. 12; Aug. 1, 1917, p. 12.
- <sup>41</sup> *Guide*, Dec. 6, 1911, p. 30.
- <sup>42</sup> *Guide*, Dec. 6, 1911, p. 47.
- <sup>43</sup> See *MGGA Proceedings* (1918), p. 63; 1917, p. 20; 1920, p. 36.
- <sup>44</sup> Radio broadcast, "This Uneconomic Order," Oct. 18, 1935, p. 4. MPE Collection
- <sup>45</sup> Radio broadcast, "Co-operation and Religion," Nov. 18, 1946, *passim*, MPE Collection.
- <sup>46</sup> MPE Collection.
- <sup>47</sup> *Guide*, Oct. 4, 1911, p. 5.
- <sup>48</sup> *Guide*, Feb. 7, 1917, p. 5; see also Sept. 18, 1922, p. 8 for the same idea expressed by A.J. McPhail on becoming Secretary of the SGGA.
- <sup>49</sup> MPE Collection.
- <sup>50</sup> Alberta Cooperative Wheat Producers, *Wheat Pool Lectures* (Calgary, Alberta: Alberta Cooperative Wheat Producers, 1927), p. 7. A copy of this pamphlet may be found in the UGG Collection.
- <sup>51</sup> *Scoop Shovel*, May 1927, p. 9; See also July 1927, p. 9.
- <sup>52</sup> *Guide*, Dec. 4, 1918, p. 23.
- <sup>53</sup> *Guide*, Mar. 22 and 29, 1922; the quote is from the latter at p. 9; see also, *Pools on the Air*, broadcasts by Wood at pp. 17, 19; by Plumer, at p. 29.
- <sup>54</sup> William L. Morton, "The Social Philosophy of Henry Wise Wood," in A. Brian McKillop (ed.), *Contexts of Canada's Past: Selected Essays of W.L. Morton* (Toronto: University of Toronto Press, 1980), p. 139.
- <sup>55</sup> *Guide*, April 18, 1917, p. 12.
- <sup>56</sup> *Guide*, Apr. 25, 1917, p. 11.
- <sup>57</sup> *Evidence and Proceedings* (1931), pp. 240 - 241.
- <sup>58</sup> Canada, House of Commons Select Standing Committee on Agriculture and Colonization, *Minutes of Proceedings and Evidence*, May 1, 1922, p. 4.
- <sup>59</sup> *Guide*, Apr. 20, 1910, p. 8.
- <sup>60</sup> *Pools on the Air*, p. 6. See also Norman Priestly in *Evidence and Proceedings*, 1931, p. 248.
- <sup>61</sup> *Scoop Shovel*, July 1927, p. 8.
- <sup>62</sup> *Guide*, Feb. 4, 1914, p. 29.
- <sup>63</sup> United Farmers of Manitoba, *Report of Proceedings of Annual Convention* (1920), p. 6.
- <sup>64</sup> *Pools on the Air*, *Second Series*, p. 29 for Wesson, pp. 23, 24 for Hull, and *Pools on the Air*, p. 33 for Burnell. See also, Louis Brouillette in *Pools on the Air*, p. 6, and H.W. Wood in *Pools on the Air*, *Second Series*, p. 9; also *Scoop Shovel*, Jan. 1928, p. 8, 9, and *The Case for Canadian Agriculture*, p. 7 for additional uses of this imagery.
- <sup>65</sup> *Guide*, Sept. 9, 1914, p. 6; June 2, 1915; May 9, 1923, p. 6; p. 6. See also, Aug. 16, 1911, p. 10; Apr. 22, 1914, p. 4; Aug. 31, 1921, p. 6; July 4, 1923, p. 6 for similar material.

- <sup>66</sup> *Guide*, May 4, 1910, p. 9.
- <sup>67</sup> *Guide*, Sept. 22, 1920, p. 14.
- <sup>68</sup> *Guide*, Apr. 1, 1927, p. 5.
- <sup>69</sup> *Guide*, May 16, 1917, p. 11.
- <sup>70</sup> *Guide*, Mar. 2, 1921, p. 13.
- <sup>71</sup> See *Scoop Shovel*, May, 1927, pp. 7 for an early expression of the need for greater control, and the testimony of Louis Brouillette, then President of the Saskatchewan Wheat Pool, to, Canada, House of Commons Special Committee on Bill 98, Canadian Grain Board Act, *Minutes of Proceedings and Evidence*, June 25, 1935, pp. 217 - 218 for this diagnosis of the cause of failure.
- <sup>72</sup> Charles F. Wilson, *A Century of Canadian Grain: Government Policy to 1951* (Saskatoon, Saskatchewan: Western Producer Prairie Books, 1978), p. 295.
- <sup>73</sup> *Guide*, Jan. 17, 1923; see also Thomas Crerar, "My Confession of Faith," *Guide*, Feb. 23, 1921, p. 7ff, and *Guide*, Dec. 20, 1922, pp. 4, 15 for more by Dunning.
- <sup>74</sup> John T. Hull, *One Hundred Per Cent. Pool by Legislation* (Winnipeg: Manitoba Pool Elevators, 1931); this pamphlet was the reprint of an article appearing in the *Scoop Shovel* February, 1931, from which the quotations here are taken; *Why the State Should Intervene To Help Farmers: Memorandum Presented to The Royal Grain Inquiry Commission on behalf of Manitoba Co-operative Conference* (October 1, 1937); *The Case for Canadian Agriculture: A Survey of World Agricultural Conditions, A review of the Empire Producers' Conference, What Should Be Done in Canada* (Canadian Chamber of Agriculture, 1939).
- <sup>75</sup> *Scoop Shovel*, Feb. 1931. The article runs from p. 3 to 14, and the quotations are taken *passim* from it.
- <sup>76</sup> Vernon Fowke, *The National Policy and the Wheat Economy* (Toronto: University of Toronto Press, 1957). See especially p. 290.
- <sup>77</sup> See Fowke, *National*, p. 200; Hull, *Case*, p. 4 - 8,
- <sup>78</sup> Hull, *Case*, p. 3.
- <sup>79</sup> *Guide*, Feb. 5, 1919, p. 5.
- <sup>80</sup> *Guide*, June 12, 1918, p. 14.
- <sup>81</sup> Manitoba Grain Growers Association, *Report of Proceedings [of the Annual Convention]* (1919), p. 26.
- <sup>82</sup> *Scoop Shovel*, June 20, 1925, p. 2.
- <sup>83</sup> *Guide*, Dec. 29, 1920, p. 7"
- <sup>84</sup> MGGGA, *Proceedings* (1917), p. 20.
- <sup>85</sup> *Scoop Shovel*, June 1931, p. 7.
- <sup>86</sup> Fowke, *National*, p. 191.
- <sup>87</sup> *Scoop Shovel*, August, 1926. See also, *Guide*, May 7, 1913, p. 7 for a virtually identical cartoon of "middlemen" tapping a pipe leading from a farmer to the British consumer.
- <sup>88</sup> This term is explained in detail in the next chapter.

<sup>99</sup> July 9, 1925, quoted in Winnipeg Grain Exchange, *The Wheat Pool Marketing Experiment, 1921 - 1932* (Winnipeg Grain Exchange, 1933), p. 52; Henceforth cited as *Experiment*.

<sup>100</sup> *Guide*, May 16, 1923. See also May 30, 1923, p. 6. The controversy with the lake shippers was a significant one at this time.

<sup>101</sup> The offending articles may be found in the *Guide*, Jan. 18, 1922, p. 9, Feb. 1, 1922, p. 4 and Feb. 15, 1922, p. 9. The quotation in the text is an account of Musselman's speech to the SGGGA convention, where he claimed to have been harrassed over the articles, contained in the *Guide*, Feb. 22, 1922, p. 4. See Dec. 23, 1925, p. 3, regarding his resignation, where he spoke of a "campaign of misrepresentation, innuendo, and vilification that has been carried on against me for several years," and went on to refer to the pooling movement as one "steeped in intolerance."

<sup>102</sup> James Shideler, *Farm Crisis, 1919 - 1923* (Berkeley and Los Angeles: University of California Press, 1957), p. 95.

<sup>103</sup> *Regina Leader*, Jan 28, 1926, quoted in *Experiment*, p. 153, quoting McPhail speaking to the SGGGA.

<sup>104</sup> *Scoop Shovel*, May 1925, p. 10.

<sup>105</sup> *Guide*, Oct. 15, 1919, p. 8.

<sup>106</sup> *Scoop Shovel*, Apr. 20, 1925, p. 13.

<sup>107</sup> *Scoop Shovel*, April 20, 1925, p. 3.

<sup>108</sup> Fowke, *National*, see especially pp. 202 - 226.

<sup>109</sup> *Evidence and Proceedings of 1931 Commission*, pp. 240 - 242, *passim*.

<sup>110</sup> *Evidence and Proceedings of 1931 Commission*, p. 188.

<sup>111</sup> This was McAuley's estimate of the membership of the UFC(SS), but George Langley (who was a member of the organization) claimed in his testimony that it was moribund, with barely 5000 paid-up members (*Evidence and Proceedings of 1931 Commission*, p. 219.)

<sup>112</sup> *Evidence and Proceedings of 1931 Commission*, pp. 340 - 341.

<sup>113</sup> This tally excludes both A.J. McPhail of Saskatchewan Wheat Pool, and R.S. Law of UGG. The six who might be ruled out as being representative of farm opinion broadly were, in order of the case against their representativeness, George Langley, the bulk of whose career had spent in politics and the Sask. Coop. Elevator Company and as a senior board member with the SGGGA, Norman Priestly, A.J. McAuley and W.J. Ward, respectively either President or Vice President of the UFA, the UFC (SS) and the UFM, and W.G.A. Gourley and F. Sproule, respectively directors of Manitoba and Saskatchewan Wheat Pools.

NOTES TO CHAPTER VII

- <sup>1</sup> Graham L. Rees, R.S. Cray, and D.L. Jones, *Britain's Commodity Markets* (London: Paul Elek Books, 1972), p. 132.
- <sup>2</sup> A.A. Hooker, *The International Grain Trade* (London: \*Sir Isaac Pitman and Sons, 1936), p. 8.
- <sup>3</sup> Rees, p. 134.
- <sup>4</sup> Rees, p. 93.
- <sup>5</sup> Allan Levine, *The Exchange: 100 Years of Trading Grain In Winnipeg* (Winnipeg: Peguis Publishers Limited, 1987), p. 34.
- <sup>6</sup> Levine gives the date as January 29. See p. 57; Fowler's testimony to the Stamp Commission said February 2. See *Evidence and Proceedings before the Commission to Inquire into Trading in Grain Futures* (Winnipeg: Grain Trade News, 1931), p. 163.
- <sup>7</sup> Rees, p. 145.
- <sup>8</sup> Rees, pp. 134, 135.
- <sup>9</sup> *Evidence and Proceedings* (1931), p. 203.
- <sup>10</sup> Scoop Shovel, April 20, 1925, p. 3.
- <sup>11</sup> Vernon Fowke, *The National Policy and the Wheat Economy* (Toronto: University of Toronto Press, 1957), p. 187.
- <sup>12</sup> Fowke, *National*, p. 186-7.
- <sup>13</sup> Levine, p. 14; *Evidence and Proceedings* (1931), p. 300.
- <sup>14</sup> *Evidence and Proceedings* (1931), p. 217.
- <sup>15</sup> *Evidence and Proceedings* (1931), p. 288.
- <sup>16</sup> Alonzo E. Taylor et al., "Wheat Under the Agricultural Marketing Act," *Wheat Studies*, vol. V, no. 9, p. 388.
- <sup>17</sup> Sidney S. Gampbell, *Canada and Her Wheat Pool* (Winnipeg: Dawson Richardson Publications Limited, 1930), p. 19.
- <sup>18</sup> Gampbell, p. 19.

NOTES TO CHAPTER VIII

- <sup>1</sup> *Ottawa Journal*, Mar. 12, 1928, quoted in Winnipeg Grain Exchange, *The Wheat Pool Marketing Experiment, 1921 - 1932* (Winnipeg Grain Exchange, 1933), p. 84. Henceforth cited as *Experiment*.
- <sup>2</sup> *Experiment*, p. 29, where two articles from the UFA are quoted, Apr. 15 and June 1, 1922; the quotation is taken from the former.
- <sup>3</sup> *Winnipeg Free Press*, Mar. 1, 1924, quoted in *Experiment*, p. 34.
- <sup>4</sup> *Winnipeg Free Press*, Mar. 24, 1924, quoted in *Experiment* p. 35.
- <sup>5</sup> *Western Producer*, Nov 26, 1925, quoted in *Experiment*, p. 58.
- <sup>6</sup> *Scoop Shovel*, Dec., 1925, quoted in *Experiment*, p. 59.
- <sup>7</sup> James H. Schideler, *Farm Crisis, 1919 - 1923* (Berkeley and Los Angeles: University of California Press, 1957), p. 14.
- <sup>8</sup> Ralph R. Enfield, *The Agricultural Crisis, 1920 - 1923* (London, New York: Longmans, Green and Co., 1924), p. 176.
- <sup>9</sup> *Scoop Shovel*, May 1926, p. 7.
- <sup>10</sup> Enfield, p. 178.
- <sup>11</sup> Schideler, p. 100; Yates, p. 46 (check).
- <sup>12</sup> *Ibid.*, p. 100.
- <sup>13</sup> Walter P. Davisson, *Pooling Wheat in Canada* (Ottawa: The Graphic Publication, 1927), p. 21.
- <sup>14</sup> These quotations are from "Report of Mass Meeting Addressed by Mr. Aaron Sapiro In Third Avenue Methodist Church, Saskatoon, Saskatchewan, on Tuesday August 7th, 1923," UGG Collection.
- <sup>15</sup> Vernon Fowke, *The National Policy and the Wheat Economy* (Toronto: University of Toronto Press, 1957), p. 221.
- <sup>16</sup> *Scoop Shovel*, Dec. 1926, p. 9; Feb. 1927, p. 9; Sept. 1928, p. 11; Nov. 1929, p. 21.
- <sup>17</sup> *Scoop Shovel*, Sept. 1925, p. 3.
- <sup>18</sup> *Scoop Shovel*, Aug. 1928, p. 9.
- <sup>19</sup> Saskatchewan Co-operative Wheat Producers, *Handbook No. 3* (Regina: Saskatchewan Co-operative Wheat Producers, July, 1927), p. 3. See also: Manitoba Co-operative Wheat Producers, *Wheat Pool: Your Questions Answered*, ([Winnipeg:] Manitoba Co-operative Wheat Producers, n.d.), p. 1 and Saskatchewan Co-operative Wheat Producers, *Handbook No. 2* (Regina: Saskatchewan Co-operative Wheat Producers, February, 1927), p. 6. Copies of all three pamphlets may be found in the UGG Collection.
- <sup>20</sup> Alberta Co-operative Wheat Producers, *Wheat Pool Lectures* (Calgary, Alberta: Alberta Co-operative Wheat Producers, 1927), p. 20. A copy may be found the UGG Collection.

- <sup>21</sup> SCWP Handbook No. 3, p. 22.
- <sup>22</sup> Saskatchewan Co-operative Wheat Producers, *Its Aims, Origins, Operations and Progress, June 1924 - January 1928* (Saskatchewan Co-operative Wheat Producers, n.d.), p. 8. A copy may be found in the UGG Collection.
- <sup>23</sup> Alonzo E. Taylor, J.S. Davis, H. Working, and M.K. Bennett, "Wheat Under the Agricultural Marketing Act," *Wheat Studies*, vol. V, no. 9 (August, 1929), p. 409, italics added.
- <sup>24</sup> *Saskatoon Star*, Feb. 22/24, quoted in *Experiment*, p. 142.
- <sup>25</sup> Canada, House of Commons Select Standing Committee on Agriculture and Colonization, *Minutes of Proceedings and Evidence*, May 1, 1922, pp. 7 - 10.
- <sup>26</sup> See Appendix for detailed month by month tabulations and original source of data.
- <sup>27</sup> John F. Booth, *Cooperative Marketing of Grain in Western Canada* (Washington, D.C.: United States Department of Agriculture, January, 1928), p. 60.
- <sup>28</sup> Charles F. Wilson, *A Century of Canadian Grain: Government Policy to 1951* (Saskatoon, Saskatchewan: Western Producer Prairie Books, 1978), p. 224.
- <sup>29</sup> Source of data for this table is the Central Selling Agency's annual reports which are contained in Annual Reports of the Saskatchewan Cooperative Wheat Producers Limited.
- <sup>30</sup> Booth, p. 60.
- <sup>31</sup> *Evidence and Proceedings before the Commission to Inquire into Trading in Grain Futures* (Winnipeg: Grain Trade News, April, 1931), p. 98. Henceforth cited as *Evidence and Proceedings*, (1931).
- <sup>32</sup> Wilson, *Century*, p. 172; W.A. Mackintosh, "The Canadian Wheat Pools", *Bulletin of the History and Political and Economic Science in Queen's University* no. 51 (November, 1925), p. 13.
- <sup>33</sup> James Stewart and F.W. Riddell, *Report to the Government of Saskatchewan on Wheat Marketing* (Regina: J.W. Reid, King's Printer, 1921), p. 15, 16.
- <sup>34</sup> Mackintosh, p. 15.
- <sup>35</sup> Alonzo Taylor, "A National Wheat-Growers Co-operative: Its Problems, Opportunities, and Limitations," *Wheat Studies*, vol. II, no. 3 (January, 1926), p. 111.
- <sup>36</sup> Statisticians take a dim view of averaging averages, but to get a rough figure for comparison purposes, the procedure is acceptable in this case.
- <sup>37</sup> Taylor, *National*, p. 112.
- <sup>38</sup> *Ibid.*, *National*, p. 111.
- <sup>39</sup> *Ibid.*, *National*, p. 128.
- <sup>40</sup> Alonzo Taylor, Joseph S. Davis, and Holbrook Working, "Variations in Wheat Prices," *Wheat Studies*, vol. V, no. 7 (June, 1929), p. 269.
- <sup>41</sup> *Ibid.*, p. 270.

<sup>42</sup> *Ibid.*, p. 274.

<sup>43</sup> *Scoop Shovel*, Mar., 1925, p.5.

<sup>44</sup> *The Saskatchewan Co-operative News* was the house organ of the Saskatchewan Cooperative Elevator Company. A few scattered copies are found in the UGG Collection, the March 1924 copy being one. All the quotations here are taken from that copy, the article in question being found on pp. 7, 8 and 15.

<sup>45</sup> A.C. Weaver, *Pool Points, A Lecture* (n.p., [1925]). The pamphlet is undated, but it contains statistics to July of 1925, and the copy found in the UGG Collection is date stamped December 1925.

<sup>46</sup> *Scoop Shovel*, March 1927.

<sup>47</sup> *Scoop Shovel*, Apr. 1927, p. 25.

<sup>48</sup> *Scoop Shovel*, Apr. 1927, p. 24.

<sup>49</sup> Katherine Snodgrass, with the counsel of Joseph Davis, A.E. Taylor and H. Working, "Price Spreads and Shipment Costs in the World Wheat Trade of Canada," *Wheat Studies*, vol. II, no. 5 (March, 1926).

<sup>50</sup> *Ibid.*, p. 192.

<sup>51</sup> *Ibid.*, p. 193.

<sup>52</sup> A.E. Taylor, "Spreads Between Wheat Prices in England," *Wheat Studies*, vol. XI, no. 8 (April, 1935).

<sup>53</sup> More than 520 because of ties between regions in certain weeks.

<sup>54</sup> Taylor, "Spreads," p. 315.

<sup>55</sup> Source: Canada, Department of Trade and Commerce, Dominion Bureau of Statistics, Internal Trade Branch, *Report on the Grain Trade of Canada*, various years.

<sup>56</sup> M.K. Bennett, with Joseph S. Davis, "British Parcel Prices, A World Wheat Price Series," *Wheat Studies*, vol. IV, no. 8 (July, 1928), p. 299.

<sup>57</sup> The reader who is interested may find the details of this analysis in the Appendix.

<sup>58</sup> Fowke, p. 246.

<sup>59</sup> *Scoop Shovel*, Oct 21, 1925, p. 9.

<sup>60</sup> Price WaterHouse study. A copy of the results of this study, extracted from the *Grain Trade News*, can be found in the UGG Collection.

<sup>61</sup> *Scoop Shovel*, Oct 1926, p. 9.

<sup>62</sup> W. Sanford Evans, *The Canadian Wheat Pool: An Address Before the Grain Dealers Convention in Buffalo* (Winnipeg: Dawson Richardson Publications Limited, 1926), p. 20.

<sup>63</sup> Allan Levine, *The Exchange: 100 Years of Trading Grain In Winnipeg* (Winnipeg: Peguis Publishers Limited, 1987), p. 137. See the Appendix to this study for the names and sizes of the leading elevator companies.

<sup>64</sup> Levine, p. 138.

<sup>65</sup> See *Scoop Shovel*, Oct. 1926, p. 6, March 1927, p. 21, Nov. 1927, p. 4.

<sup>66</sup> Unless otherwise specified, all the material and quotations in the following paragraphs are taken from the pamphlet: *The Canadian Wheat Pool, Wheat Prices 1927 -28, The Pool and the The Grain Trade* (Winnipeg: The Canadian Wheat Pool, October, 1928).

<sup>67</sup> Figures in the pamphlet were stated as fractions which have been decimalized here, resulting in occasional minor round-off errors.

<sup>68</sup> Reserves and Carrying costs taken from the pamphlet cited above (*Wheat Prices, 1927 - 28* etc.) for 27/28 and from Harald S. Patton, *Grain Growers' Cooperation in Western Canada* (Cambridge Mass.: Harvard University Press, 1928), p. 346, for other years. Both sets of figures have been augmented by 1.5 cents to allow for the interest-free loan Pool farmers advanced to the Pools as described in the text.

NOTES TO CHAPTER IX

- <sup>1</sup> An "overage" occurs when an elevator operator, by various means described later, collects more grain in his elevator than he paid farmers for; "under grading" is the practice of buying farmers' wheat at a lower grade than it merits.
- <sup>2</sup> See Saskatchewan Co-operative Wheat Producers, *Handbook No. 3*, (Regina: Saskatchewan Co-operative Wheat Producers, July, 1927), and Alberta Co-operative Wheat Producers, *Wheat Pool Lectures* (Alberta Co-operative Wheat Producers, 1927).
- <sup>3</sup> *Scoop Shovel*, November 1925, p. 7.
- <sup>4</sup> *Scoop Shovel*, November, 1925, p. 7.
- <sup>5</sup> Burnell to Crerar, Apr. 10, 1926, UGG Collection.
- <sup>6</sup> Crerar to Burnell, Apr. 22, 1926, UGG Collection.
- <sup>7</sup> *Scoop Shovel*, April 26, 1926, p. 9.
- <sup>8</sup> See *Scoop Shovel* article, January, 1927. The article did not define "standard, but the Commission subsequently found a "standard" elevator a 30,000 bushel capacity house, costing about \$13,000.
- <sup>9</sup> Murray to Bracken, March 11, 1931, UGG Collection.
- <sup>10</sup> All quotes from *ibid*.
- <sup>11</sup> *Scoop Shovel*, Mar. 1925, p. 4.
- <sup>12</sup> *Wheat Pool Lectures*, p. 12.
- <sup>13</sup> *Manitoba Free Press*, Mar. 16, 1931.
- <sup>14</sup> *A Statement by United Grain Growers Ltd. for the information of shareholders in Manitoba* (Winnipeg: United Grain Growers, May 27, 1929), p. 10. This pamphlet may be found in the UGG Collection.
- <sup>15</sup> *Scoop Shovel*, May 1929, pp. 10, 11.
- <sup>16</sup> *Statement by United Grain Growers*. This pamphlet contains the full text of the original Murray letter.
- <sup>17</sup> *Scoop Shovel*, May 1927, p. 9.
- <sup>18</sup> Province of Manitoba, *Report of the Royal Commission to Inquire into Charges Against Manitoba Pool Elevators Limited with which is printed the Auditor's Report (omitting the Schedules* (Winnipeg: Philip Purcell, King's Printer for the Province of Manitoba, 1931), p. 16. Hencforth cited as the *Williams Report*.
- <sup>19</sup> All the above quotations and data are found in the *Williams Report* between pages 15 and 32.
- <sup>20</sup> *Williams Report*, p. 35.
- <sup>21</sup> This practice is not possible today with electronic scales.
- <sup>22</sup> *Williams Report*, p. 37.
- <sup>23</sup> Canada, *Report of the Royal Grain Inquiry Commission* (Ottawa: King's Printer, 1925), p. 20; also quoted by Williams at p. 39. The Royal Commission report is commonly called the *Turgeon Commission Report, 1925*.
- <sup>24</sup> *Williams Report*, p. 40.

<sup>25</sup> *Ibid.*, p. 43.

<sup>26</sup> Manitoba Pool Elevator circular, quoted at P. 43 of the *Williams Report*.

<sup>27</sup> *Williams Report*, p. 46.

<sup>28</sup> The totality of Appendix A may be found in the Appendix to this study. Each "instance" of an overage, represents the overage found in one elevator in one year. The data covered the Pool for three years, UGG for two and the line companies for one. No change in pattern is discernible from year to year.

<sup>29</sup> *Williams Report*, p. 50.

<sup>30</sup> Quotation from evidence given at p. 51 of the *Williams Report*.

<sup>31</sup> *Williams Report*, p. 51.

<sup>32</sup> *Ibid.*, p. 57.

<sup>33</sup> Quoted at p. 55 of the *Williams Report*.

<sup>34</sup> The Pool auditor's testimony, quoted at p. 56 of the *Williams Report*.

<sup>35</sup> *Williams Report*, p. 56.

<sup>36</sup> *Ibid.*, p. 56.

<sup>37</sup> *Manitoba Free Press*, June 25/31; from clipping file on the Williams Commission in the UGG Collection.

<sup>38</sup> *Manitoba Free Press*, July 3/31; from clipping file in UGG Collection.

<sup>39</sup> Frank W. Hamilton, *Service at Cost: A History of the Manitoba Pool Elevators, 1925 - 1975*, (Winnipeg: Manitoba Pool Elevators, [1975]), p. 146.

<sup>40</sup> *Williams Report*, p. 58.

<sup>41</sup> Reprinted in the *Scoop Shovel*, August, 1928, pp. 28 - 29.

<sup>42</sup> Manitoba Grain Growers Association, *Record of Proceedings [of the Annual Convention]* (1917), p. 27.

<sup>43</sup> *MGGA Proceedings* (1918), p. 24.

<sup>44</sup> *Scoop Shovel*, January 1927. p. 9; see also January, 1929, p. 9.

<sup>45</sup> *Ibid.*, April, 1927, p. 8.

<sup>46</sup> *Ibid.*, April, 1928, pp. 5, 7.

<sup>47</sup> *Ibid.*, April, 1928, p. 8.

<sup>48</sup> *Ibid.*, July, 1928, p. 8, 9.

<sup>49</sup> John T. Hull, *Why the State Should Intervene To Help Farmers: Memorandum Presented to The Royal Grain Inquiry Commission on behalf of Manitoba Co-operative Conference* (October 1, 1937), p. 12.

<sup>50</sup> There is some uncertainty as to just what the relative roles of Bennett and the Pool directorate were in the appointment of McFarland. The entire matter, from which this account is taken, is well covered in Charles F. Wilson, *A Century of Canadian Grain: Government Policy to 1951* (Saskatoon, Saskatchewan: Western Producer Prairie Books, 1978).

- <sup>51</sup> Statistics on farm deliveries may be found in W. Stanford Evans Statistical Service, *Canadian Grain Trade Yearbook* (Winnipeg: Dawson Richardson Publications, 1934), p. 8.
- <sup>52</sup> Wilson, *Century*, pp. 431 - 432.
- <sup>53</sup> Canada, House of Commons Special Committee on Bill 98, Canadian Grain Board Act, *Minutes of Proceedings and Evidence*, June 21, 1935, p. 86.
- <sup>54</sup> *Ibid.*, June 21, 1935, pp. 106, 128, 129.
- <sup>55</sup> *Ibid.*, June 21, 1935, pp. 76, 77.
- <sup>56</sup> *Ibid.*, June 20, 1935, p. 65.
- <sup>57</sup> *Ibid.*, June 25, 1935, p. 182.
- <sup>58</sup> Wilson, *Century*, p. 428.
- <sup>59</sup> Special Committee on Bill 98, *Minutes of Proceedings*, June 25, 1935, p. 206.
- <sup>60</sup> *Ibid.*, June 25, 1935, p. 182.
- <sup>61</sup> Wilson, *Century*, p. 436; the quotation is from a letter from McIvor to Wilson, Nov. 6, 1973.
- <sup>62</sup> Special Committee on Bill 98, *Minutes of Proceedings*, June 28, 1935, p. 383.
- <sup>63</sup> Alonzo E. Taylor, "World Wheat Prices, Canadian-Argentine Spreads, and the Ottawa Agreement, *Wheat Studies*, vol. V, no. 2 (October, 1935), pp. 49, 50, 51.
- <sup>64</sup> Special Committee on Bill 98, *Minutes of Proceedings*, June 21, 1935, pp. 140 - 142.
- <sup>65</sup> *Ibid.*, June 25, 1935, p. 207.

NOTES TO CHAPTER X

<sup>1</sup> *Scoop Shovel*, May 1927, p. 41.

<sup>2</sup> This was not true of the Appendix to the Williams Commission, quoted in Chapter IX, which deals very sympathetically with the farmers' concerns.

<sup>3</sup> Vernon Fowke, *The National Policy and the Wheat Economy* (Toronto: University of Toronto Press, 1957), p. 195.

<sup>4</sup> See Chapter IX *supra*, Burnell quoted in *Manitoba Free Press*, July 3, 1931.

<sup>5</sup> Richard Allen, "The Social Gospel as the Religion of the Agrarian Revolt," in R. Douglas Francis and Howard Palmer, *The Prairie West, Historical Readings* (Edmonton: Pica Pica Press, 1985), p. 440.

<sup>6</sup> Travis Kroeker, "Theology, Ethics and Social Theory: The Social Gospel Quest for a Social Morality," in *Studies in Religion/Sciences Religieuses*, vol. 20, no. 2, (1991), p. 199.

<sup>7</sup> *Scoop Shovel*, Sept, 1929, p. 11.

<sup>8</sup> Canada, House of Commons Special Committee on Bill 98, Canadian Grain Board Act, *Minutes of Proceedings and Evidence*, p. 159.

<sup>9</sup> *Ibid.*, p. 167.

<sup>10</sup> *Ibid.*, pp. 182, 222, 224.

<sup>11</sup> These assessments are based on numerous personal conversations with farmers who form the bulk of the membership in the Western Canadian Wheat Growers Association, and The Western Barley Growers Association.

<sup>12</sup> Wheat Board Commissioner R. Klassen, quoted in *Western Report*, Dec. 30, 1991.

1

NOTES TO APPENDIX

<sup>1</sup> A.A. Hooker, *The International Grain Trade* (London: Sir Isaac Pitman & Sons, 1936), p. 8. A quarter is about a quarter of a ton, or 450 - 500 lbs; measures vary by usage.

<sup>2</sup> Graham L. Rees, R.S. Cray, and D.R. Jones, *Britain's Commodity Markets* (London: Paul Elek Books, 1972), p. 126. Figures converted from cwt. to tonnes at 22 cwt/tonne.

Other grains include wheat products, barley, oats and corn.

<sup>3</sup> Wilfred Malenbaum, *The World Wheat Economy: 1885 - 1939* (Cambridge, Mass.: Harvard University Press, 1953), pp. 238 - 9, 246 - 7. Malenbaum's figures in bushels converted to tonnes at 36 bus. per tonne. Figures shown are the difference between consumption and production. European importers include 16 countries of which Britain, France and Germany were by far the more important.

<sup>4</sup> Rees, p. 129. Figures in hundredweight converted to tonnes at 22 cwt./tonne.

<sup>5</sup> Canada, Department of Trade and Commerce, Dominion Bureau of Statistics, Internal Trade Branch, *Report on the Grain Trade of Canada* (King's printer, various years). Bushels converted to tonnes at 36 bu's per tonne.

<sup>6</sup> *Grain Trade of Canada* (1925). Bushels converted to tonnes at 36 bu's per tonne.

<sup>7</sup> Canada, Department of Trade and Commerce, *List of Licensed Elevators and Warehouses* (Ottawa: Department of Trade and Commerce, 1921).

<sup>8</sup> Harald S. Patton, *Grain Growers' Cooperation in Western Canada* (Cambridge, Mass.: Harvard university Press, 1928), p. 325.

<sup>9</sup> *Guide*, May 11, 1910, p. 13.

<sup>10</sup> *Elevators and Warehouses* (1921).

<sup>11</sup> Canada, *Report of the Royal Grain Inquiry Commission* by Justice W.A. Turgeon (Ottawa: King's Printer, 1938); M.C. Urquart and K. Buckley, *Historical Statistics of Canada* (Toronto: The Macmillan Co. of Canada Ltd, 1965), p. 296.

<sup>12</sup> S.W. Yates, *The Saskatchewan Wheat Pool: 1924 - 1935* (Saskatoon, Saskatchewan: United Farmers of Canada, n.d.), p. 17.

<sup>13</sup> The definitive account of the Board of Grain Supervisors, and of the first Canadian Wheat Board is found in C.F. Wilson, *A Century of Canadian Grain: Government Policy to 1951* (Saskatoon, Saskatchewan: Western Producere Prairie Books, 1978), pp. 57 - 182, from which the foregoing account is taken.

<sup>14</sup> *Grain Trade of Canada* (various years).

<sup>15</sup> All statistics in Tables A-10 to A-13 inclusive are taken from W. Stanford Evans Statistical Services, *Canadian Grain*

*Trade Yearbook* (Winnipeg: dawson richardson Publications,  
various years).



FOOTPRINTS IN THE SANDS OF TIME

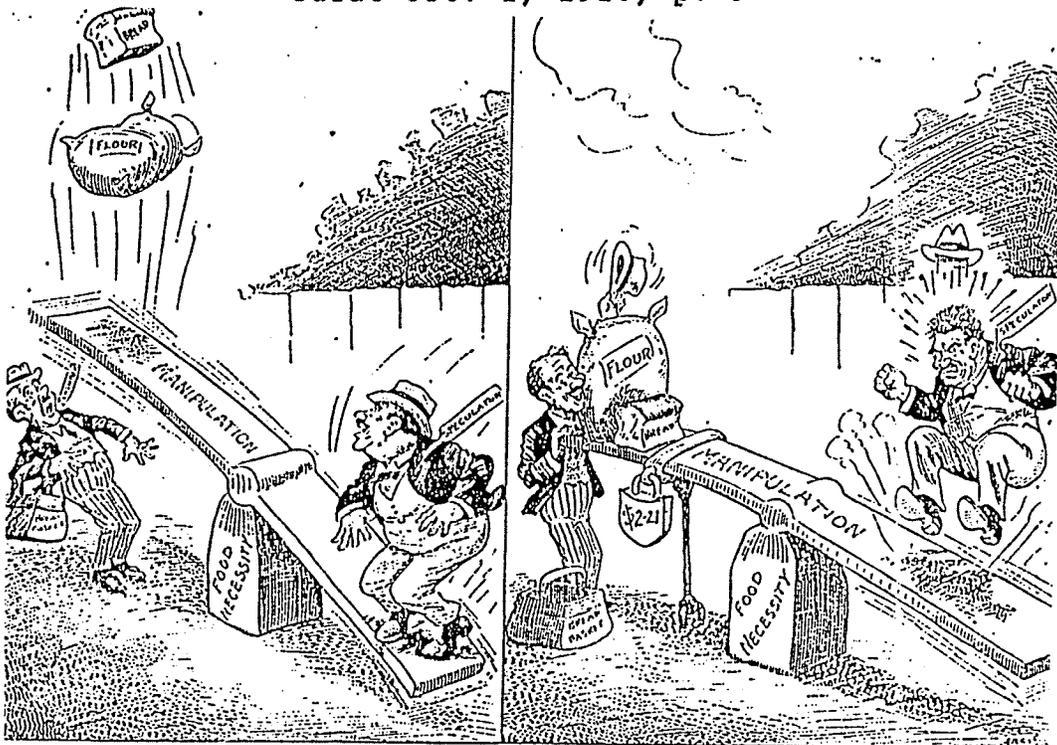
Exhibit V-1

*Guide*, Nov. 20, 1918, p. 6



"BUILDING UP A WELL-ROUNDED DOMINION"

Exhibit VI-1  
Guide Oct. 1, 1913, p. 9



1910

1917

Exhibit VI - 2  
Guide, Sept. 26, 1917, p. 6.

# The Rulers

By GERALD J. LIVELY

*"Hear now a song, a song of broken interludes,  
"A song of little cunning, of a singer nothing worth  
"Through the naked words and mean  
"May ye see the truth between.  
"As the singer knew and touched it".....—RUDYARD KIPING*

## Canada Speaks:



THE fairest was I, when ye took me, of all the young fair lands,  
Plastic as clay to the moulding, deserving a Master's hands.  
My fair sea coasts had ne'er been soiled with the tramp of felon throng;  
And my rights were built upon equal rights, not on weaker peoples' wrong.  
And I was fair, ay, wondrous fair, fair as our summer nights,  
And my eyes were bright as my northern stars garnished with Northern Lights.  
My head was crowned in a mist of gold; I was perfect of form and face,  
And had my servants but been true my breasts would have nourished a race.  
And I was rich, ay, wondrous rich, in forest and mine and farm  
Awaiting the touch of the toiler to work his wonderful charm.  
But all the wealth of my forests, the wealth of the mine and the farm,  
Instead of bringing me happiness has brought me shame and harm;  
And I see a sullen people where there should be a race of braves,  
And I see the monopolist marching, triumphant, o'er necks of slaves,  
My brave old Mother's still leading in Liberty's age-long race,  
And I see a look of high resolve stamped on the proud old face,  
And my Sister Nations pass me—their cars bear Freedom's name—  
But I turn my back upon the course, my head bowed down with shame.  
And the meaner peoples mock me and whisper my name with jeers,  
And my proud young heart is breaking, and my eyes are abrim with tears.  
Oh, why should my sisters regard me with horror in their eyes  
While I stand here in my sin and my shame sorrowfully, woefully wise.  
Listen to me, my Rulers, ye who have wrought my shame,  
Wardens were ye of my honor, wardens were ye of my fame.  
Listen, ye who have ruled me, who'd make my country a hell.  
Listen, ye Thieves and Panders, listen, and I will tell.  
Ye tore off my garments of honor, ye tore off my maiden's veil,  
And ye thrust my body upon the street—as a harlot's is, thrust—for sale.  
Ye prostituted my Womanhood, and a Profit ye made of the wrong,  
And ye held me naked before the crowd and the lewd and the leering throng.  
Ye've torn the heart from my forests, ye've ripped the guts from my mines,  
Retired, and divided the plunder—strictly on Party lines.  
Ye've slich'd my lands from my People to be traded away for a song,  
Or, divisioned them out amongst yourselves, making a wrong more wrong.  
Ye've culled, ye've appraised, ye've apportioned, and my wealth, that in trust I gave,  
Is showered on a crowd of Grafters, and on Bribery's loathely slave.  
Ye've even quarrelled amongst yourselves—"Knave" to each other ye say—  
Knaves ye are and the sons of knaves, knaves in each others' pay.  
And ye prate of the love that ye bear me; the land with your mouthings ye fill;  
Your love is wrapped-up in a foreign draft, and your souls in a dollar bill.  
Ye've reared across my highways the Toll-bars of Graft and Greed;  
Ye've fattened a favored faction on the bread of my People's need;  
Ye have given the keys of my Granaries into the hands of the Few  
Who have all the sin of the Gentile and all the vice of the Jew.  
Ye have raised up the hated "Octroi;" ye've established the Milling Soke;  
And my People are bowing beneath the rod, stumbling under the yoke.  
What have ye done with my Coal-fields, and my streams' unbridled power?  
Answer, ye Bawds and Lechers, what have you done with my Dower?  
Have ye used it well, as a blessing, earning my Peoples' love?  
Or fashioned it into the burden that calls down a curse from above?  
Ye have given the Usurer mastery over my Peoples' lives,

Crushing the happiness out of their homes, starving their children and wives—  
 That's what ye've done for my People, fettered and shackled like slaves  
 Ye've delivered them over to Tyrants, Money-kings, Rogues, and Knaves.  
 And Music and Art and Science languish throughout the land,  
 While the Party Hack and the Heeler are fattening at your hand.  
 And what have you done for Religion, ye who bow to the Holy Rood?  
 Ye have mortared your Temples and Churches with my little Children's blood.  
 Ye have sent my gold to the heathen. Hospitals bear your name;  
 And ye crowd your victims into the wards built with my Maidens' shame.  
 There was never a worn-out evil of the older, wiser lands,  
 But ye have planted it on my soil and fostered it with your hands—  
 Every known wrong of the ages and every mistake of the years,  
 Wrongs that have only been righted with bloodshed and bitter tears,  
 Mistakes that have only been mended in the flames of a Civil War.  
 Halt ye! My rulers, halt ye! Halt, lest ye go too far.  
 But no more do I ask for justice, pleading on bended knees,  
 For I hear a murmur of discontent borne down on the Western breeze,  
 And I see each prairie schoolhouse surging with eager throngs  
 As straight-limbed Farmer on Farmer rises and speaks my wrongs;  
 And their cry is 'Equal rights to all and favors dealt to none.'  
 For each man has a right to life and his own place in the sun.  
 Long have I watched that People and the magic of their toil,  
 That turns the willow scrub to wheat; to gold, my virgin soil.  
 They put their plough to the wilderness, and lo, 'tis a smiling field,  
 And the rich black earth responds to their touch, giving to them its yield.  
 Watch, and the whole wide prairie is a waving, waveless sea,  
 Grain and grain and the shimmer of grain as far as the eye can see.  
 So now I turn to the prairie where the Nations have sent of their best,  
 Pinning my soul's salvation on the strength of the men of the West.  
 I see the smile on your faces, the sneer, and the lift of the brow.  
 Smile not, my Masters, and sneer not, ye'd better be listening now.  
 Do ye think ye can fool that People, sober and strong and sane?  
 Their breed is the Anglo-Saxon-Celt crossed by the Norman-Dane.  
 Do ye think ye can mould that People into your willing Slaves?  
 Why! Their fathers were born within sight of the sea and nursed on the ocean waves.  
 Do ye think ye can drive that People? Do ye think ye can hold the reins?  
 Why! The fighting blood of the old Sea-Kings is coursing through their veins.  
 Don't try it, my Masters, don't try it. Don't try to make them Slaves,  
 Lest they rise in their ire, like a wave of fire, and trample ye into your graves.  
 Don't try it, my Masters, don't try it. Don't try it or ye will fall.  
 Don't try it, lest they take their case to that last Dread Court of all,  
 That last Dread Court where the dues are paid in the husbands' blood and widows' tears  
 In the smoking plain and the trampled grain, and the bitter hate for years and years.  
 The future flashes before me. I see the West arise,  
 One great united People, sober and strong and wise.  
 And they're sending their Heralds forward, forward shouting my name,  
 Bidding ye do me justice, bidding ye cleanse me of shame,  
 And marching behind their Heralds, holding their heads like Kings,  
 Line upon line in shining ranks, each close-lock't cohort swings.  
 And I see ye cower, my Masters, and the whole bright heavens sing,  
 As down in the mire 'neath my People's ire goes Combine, Merger, and Ring;  
 And the Party Hack and the Heeler and the Land Speculator and Trust  
 Are swept from their path by my People's wrath and trampled into the dust.

And I take my place in Liberty's race, now that I'm cleansed from shame,  
 And the People shout when they see me, for my Car bears Freedom's name;  
 The old Mother turns to greet me, a smile lights her face like the Sun;  
 She kisses my cheek and whispers "Well done, my Daughter, well done."  
 And my Sisters come running towards me, catching me by the hands,  
 And kiss me and say I'm the fairest of all the Free Young Lands.  
 Now I'm first in the race and I'm winning, cheered on by the gods above,  
 And my House is cleansed from West to East and I'm rich in my People's love.



**Making the Farmer Prosperous**

**BORDEN:** "I'm willing to admit, my dear Laurier, that the thing doesn't look right but I'm convinced that it's a good thing for the farmer."  
**LAURIER:** "You're quite right, my dear Borden. I tried it for 15 years and I know it is the best thing for the farmer that ever happened to him."  
**BORDEN:** "And then, there is another point. The more we take from the farmer the more he is compelled to produce, and therefore the country as a whole becomes more prosperous."  
**LAURIER:** "Quite so."

5 CENTS A COPY

# THE GRAIN GROWERS' GUIDE

ORGANIZATION — EDUCATION — CO-OPERATION

IN THIS ISSUE

## WHO OWNS CANADA?

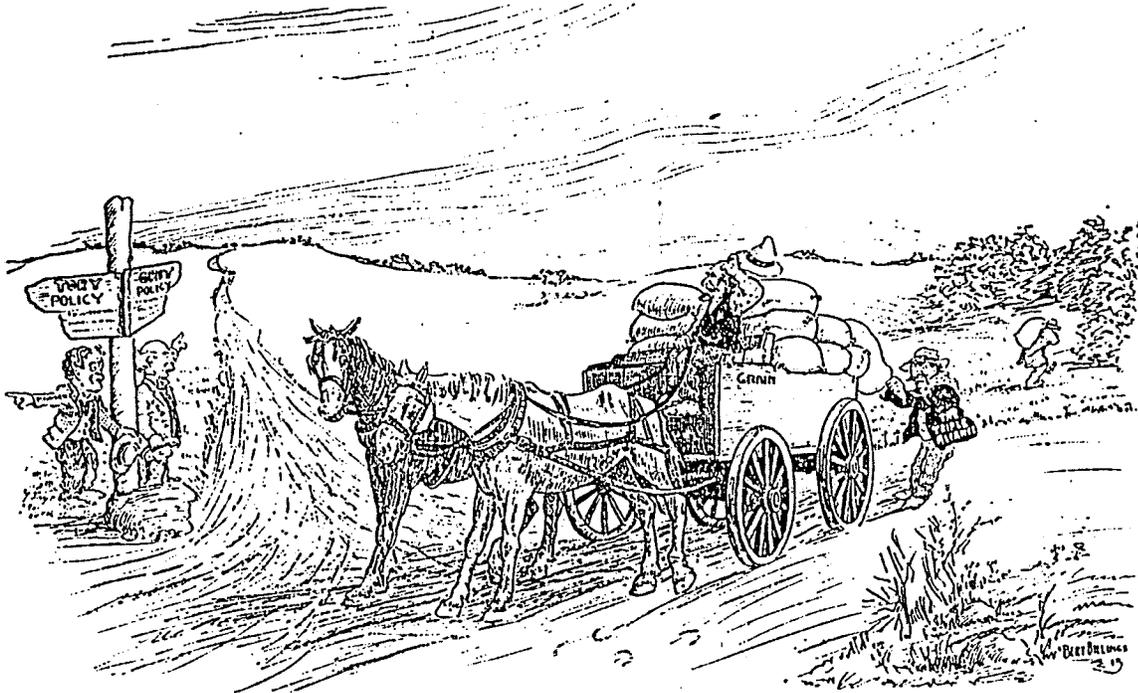
42 men control \$4,000,000,000,  
or more than one-third of Canada's  
total wealth, in railways, banks, fac-  
tories, mines, land, etc., etc.

*Democracy is in Danger*

JUNE TWENTY-FIFTH, 1913  
WINNIPEG CANADA

CIRCULATION OVER 30,000 WEEKLY

Exhibit VI - 5  
Guide, June 25, 1913, cover.



WHILE THE POLITICIANS ATTRACT THE FARMER'S ATTENTION THE TRIPLE ALLIANCE GETS AWAY WITH HIS WHEAT.

Exhibit VI-6  
Guide July 16, 1913, p. 4



Exhibit VI - 7  
Guide, July 18, 1917, p. 6.



THE BEST STRIKE YET

Exhibit VI-8  
*Scoop Shovel*, May 1927, p. 12

THE FARMERS  
OF MANITOBA

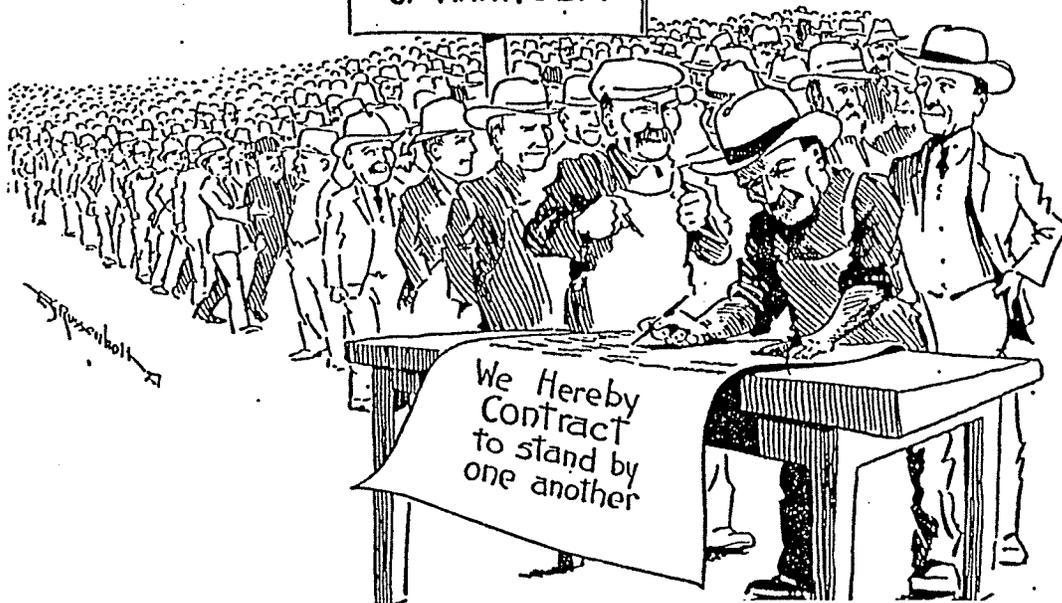
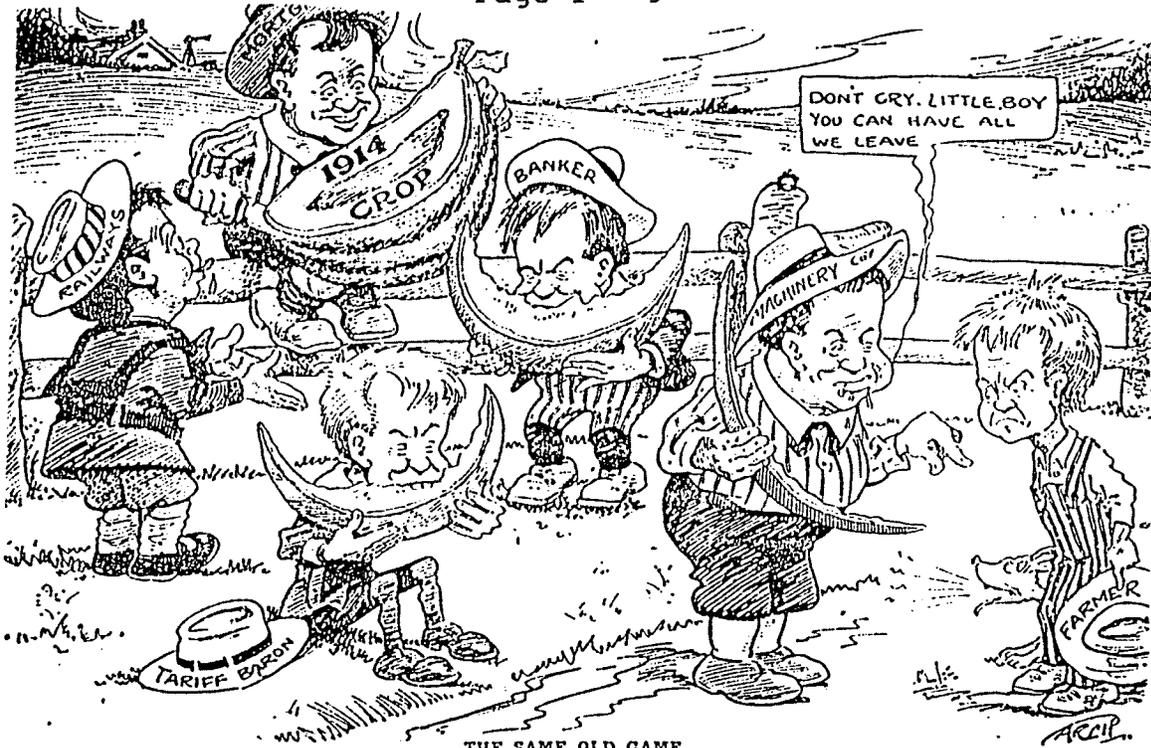


Exhibit VI - 9  
*Scoop Shovel*, May 1927, p. 9.



THE SAME OLD GAME

Exhibit VI-10  
Guide, Sept. 9, 1914. p. 6.



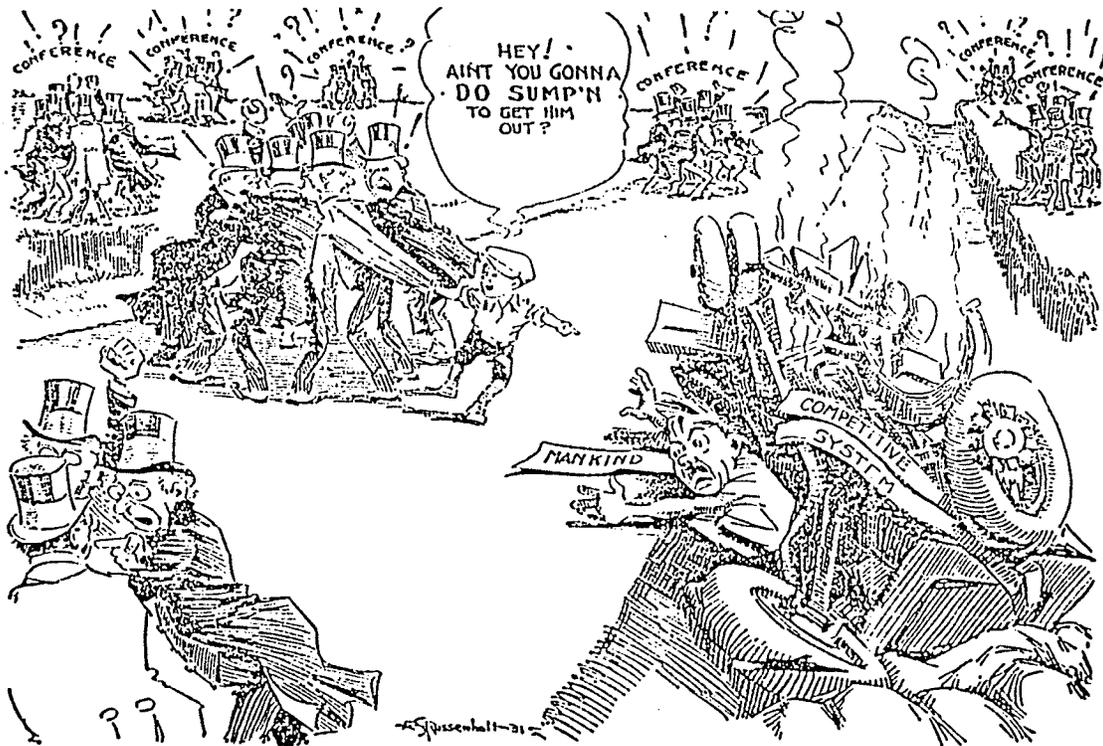
THE MAN OF THE HOUR

The farmer is a most important man just now. On the product of his toil all the business interests of the country depend

Exhibit VI -11  
Guide, June 2, 1915, p. 6.



Whose Will the Harvest Be?  
 Exhibit VI-12  
 Guide, May 9, 1923, p. 6.



Even a child can see that immediate action is required.

Exhibit VI -13  
 Scoop Shovel, June 1931, p. 7



HIS OWN SPOUT  
Exhibit VI-14  
Scoop Shovel, August, 1926.



Caught in the Act  
Exhibit VI-15  
Guide, May 16, 1923, p. 6.



THE TRAP

Exhibit VIII-1  
*Scoop Shovel* May, 1926, p. 7



OVER THE ROUGH

Exhibit VIII -2  
*Scoop Shovel*, Dec. 1926, p. 9.



THE LAST OF THE WILD WEST SHOWS

Exhibit VIII-3  
Scoop Shovel Feb., 1927, p. 9.

ILLUSTRATED LECTURES ON CO-OPERATION—

By Tom Foley.

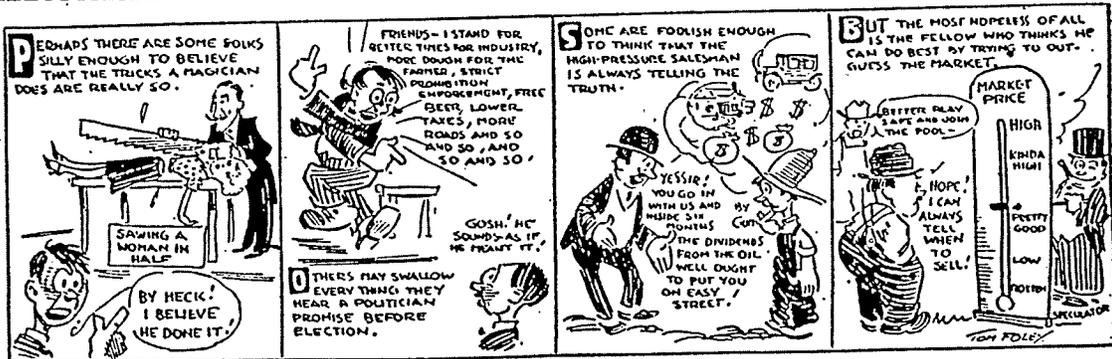
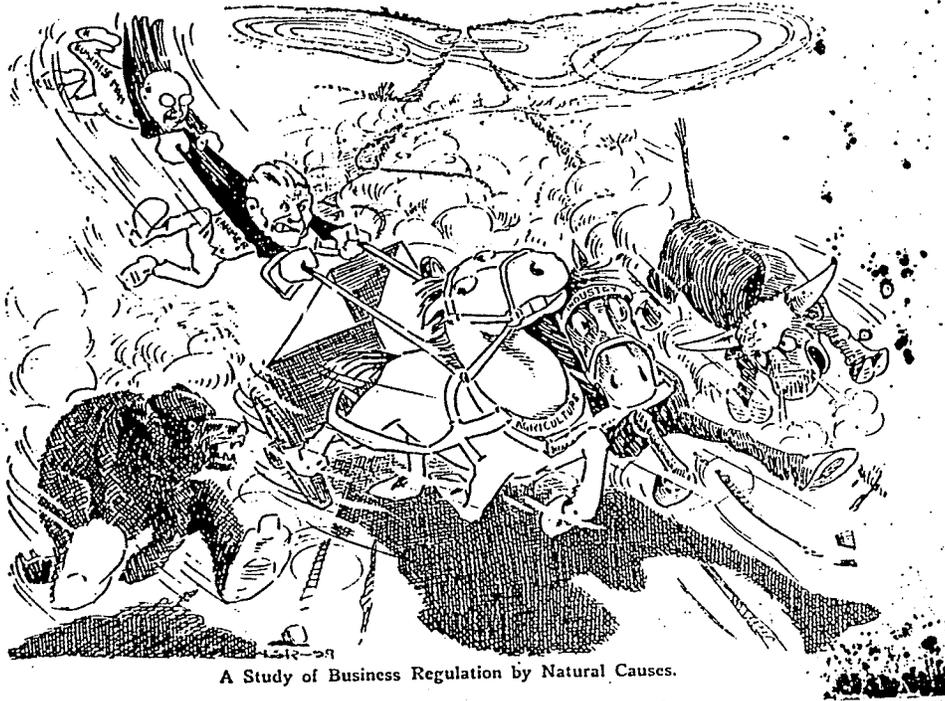
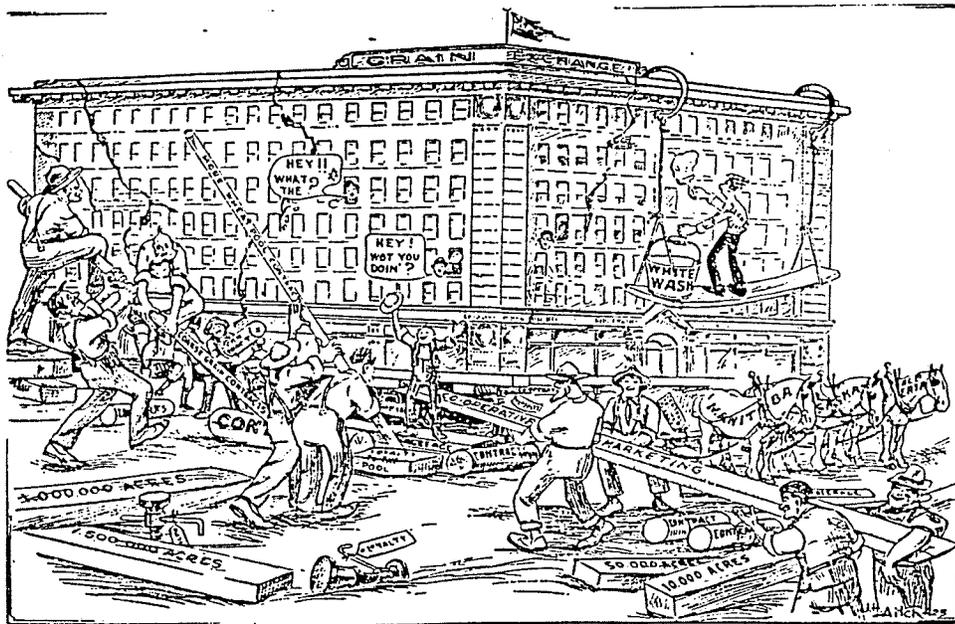


Exhibit VIII -4  
Scoop Shovel, Sept. 1928, p. 11.



A Study of Business Regulation by Natural Causes.

Exhibit VIII-5  
*Scoop Shovel* Nov., 1929, p. 21.



PUT THE SKIDS UNDER THE SPECULATOR.

Exhibit VIII -6  
*Scoop Shovel*, Mar. 1925, p. 5.

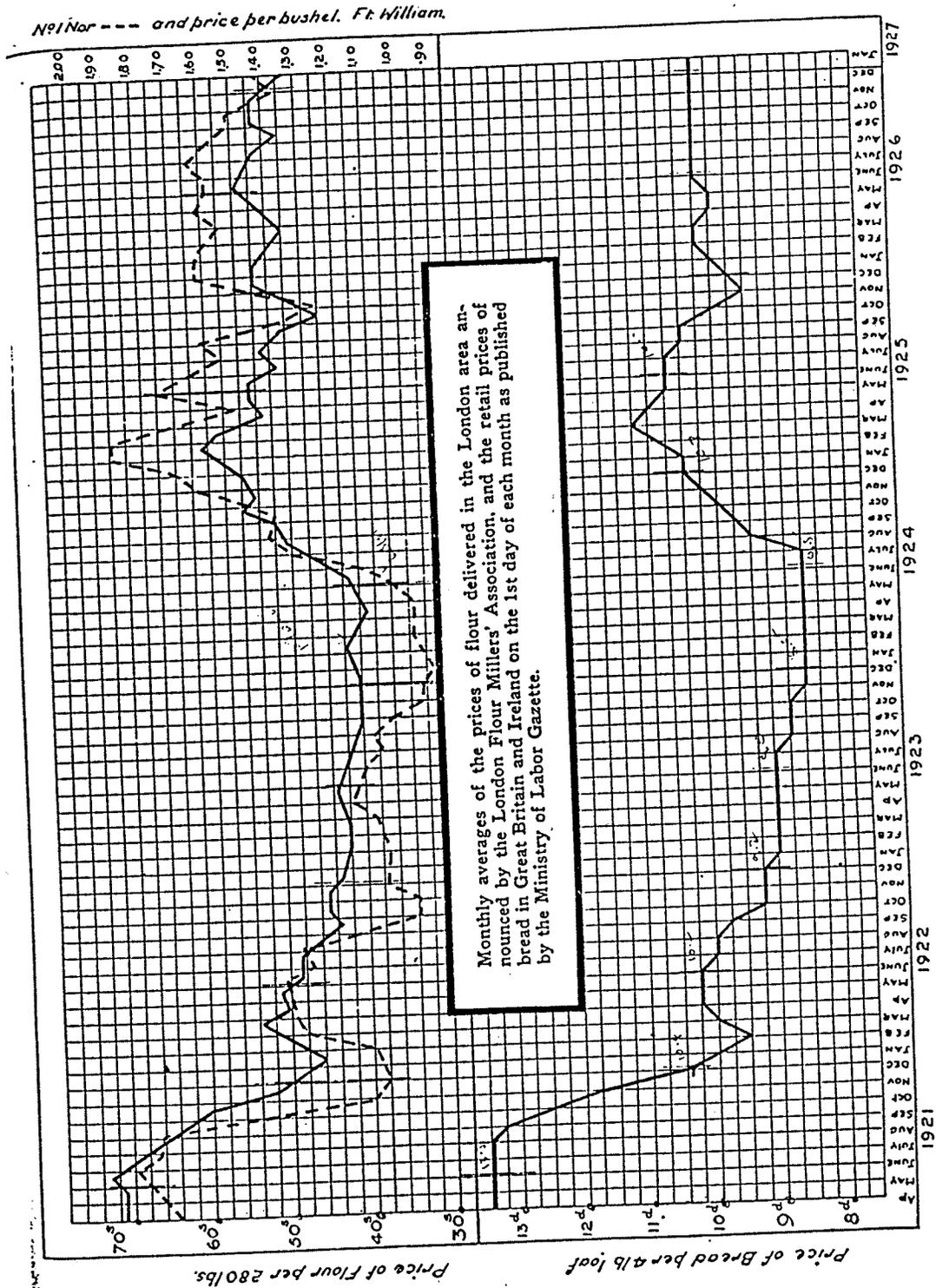
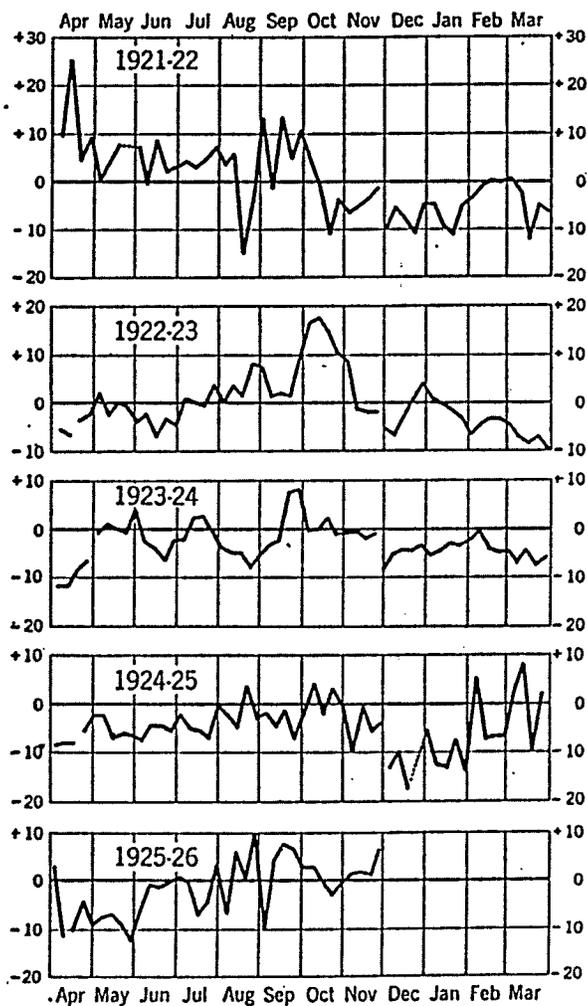


Exhibit VIII - 7  
Scoop Shovel, Apr. 1927, p. 25.

CHART 4.—DEVIATIONS OF PRICE SPREADS FROM SHIPMENT COSTS, WINNIPEG-LIVERPOOL, No. 1 MANITOBA WHEAT, WEEKLY, APRIL 1921-NOVEMBER 1925\*  
(U.S. cents per bushel)



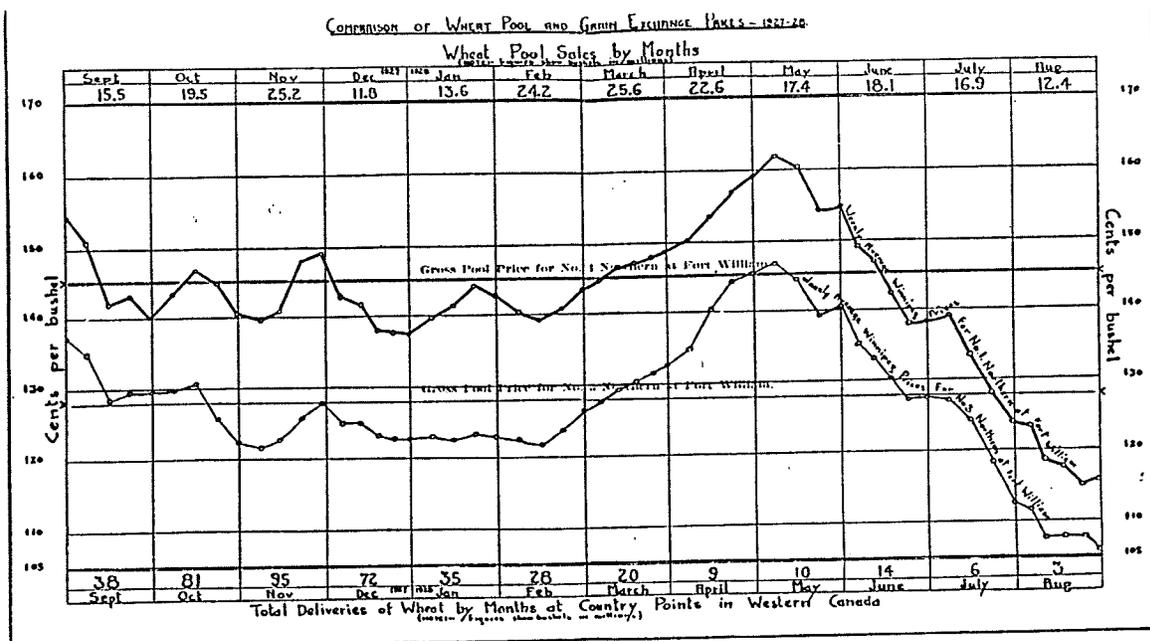


Exhibit VIII-9  
Wheat Prices, 1927 - 28.

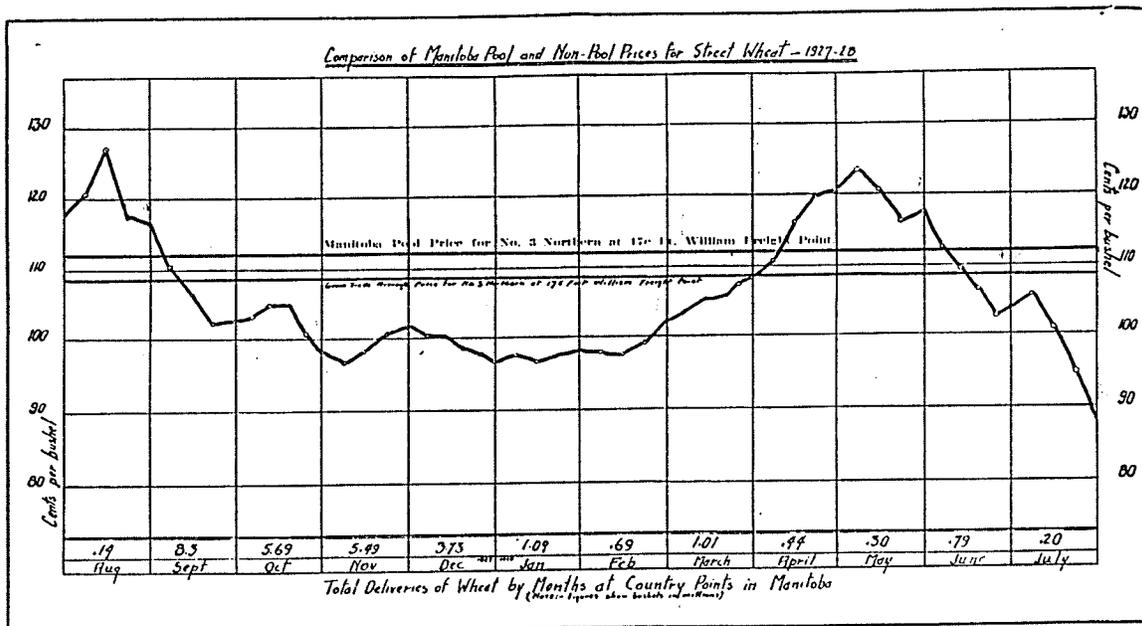


Exhibit VIII -10  
Wheat Prices, 1927 - 28

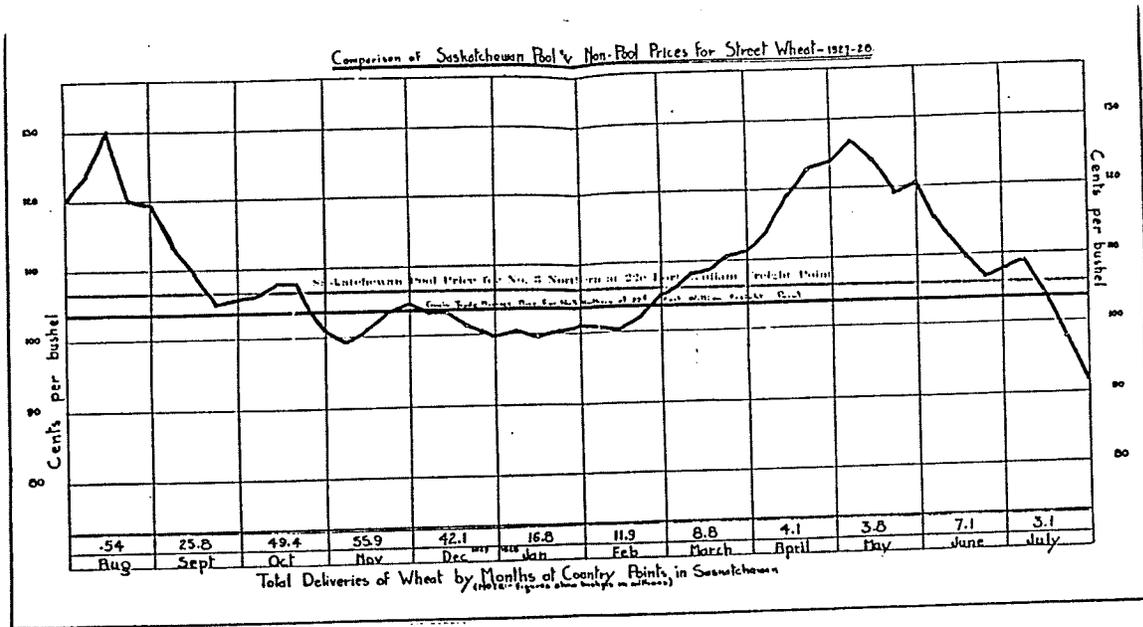


Exhibit VIII-11  
Wheat Prices, 1927 - 28.

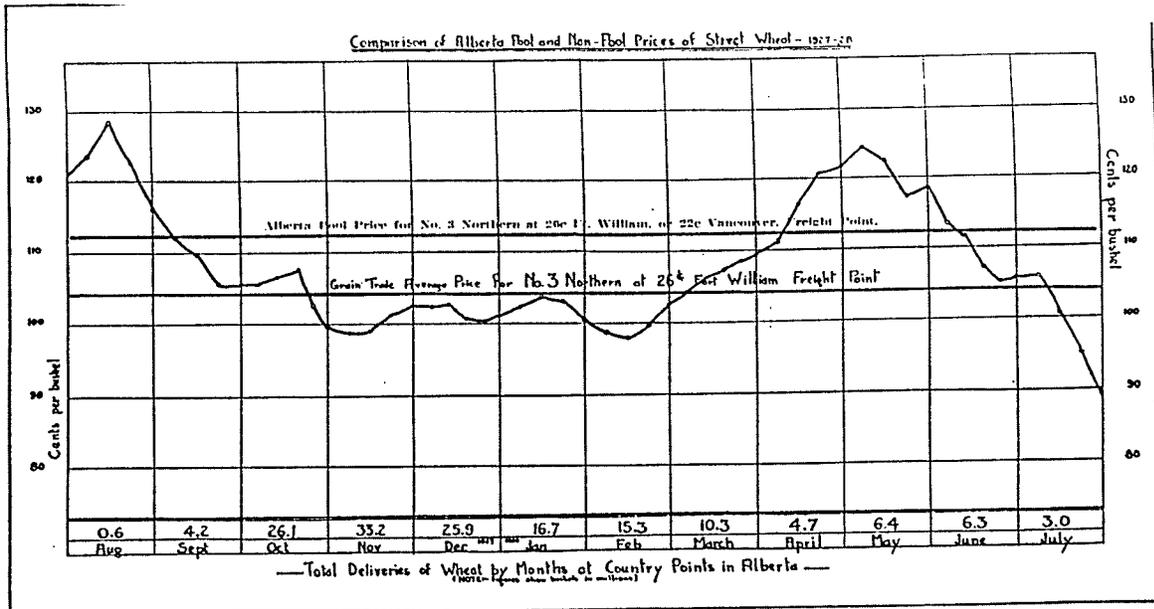


Exhibit VIII -12  
Wheat Prices, 1927 - 28



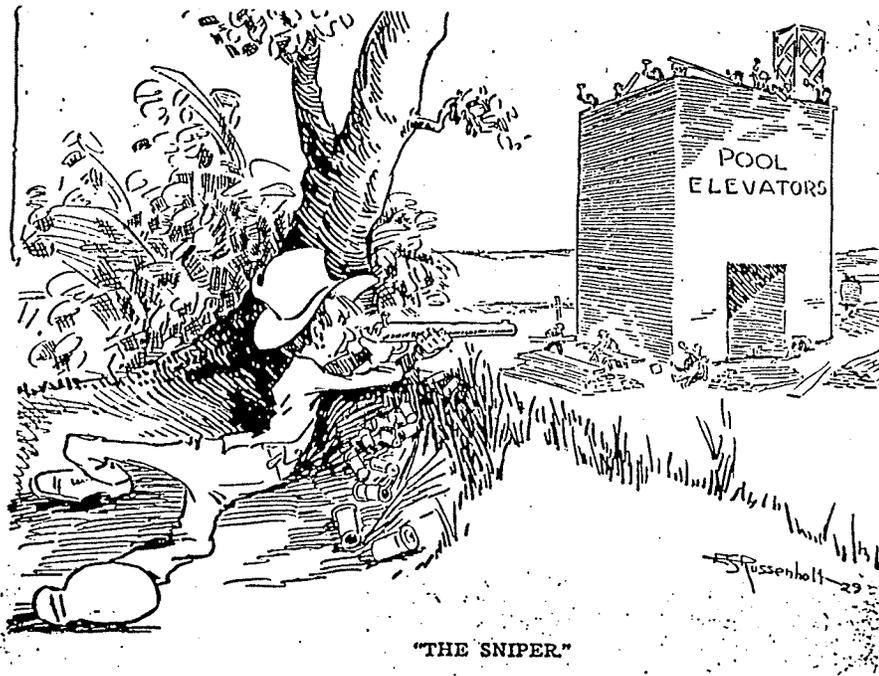
SAWING WOOD

Exhibit IX-1  
*Scoop Shovel*, Nov. 1925, p. 7.



FROM THE FOOT-HILLS TO FORT WILLIAM, - THEY COME!

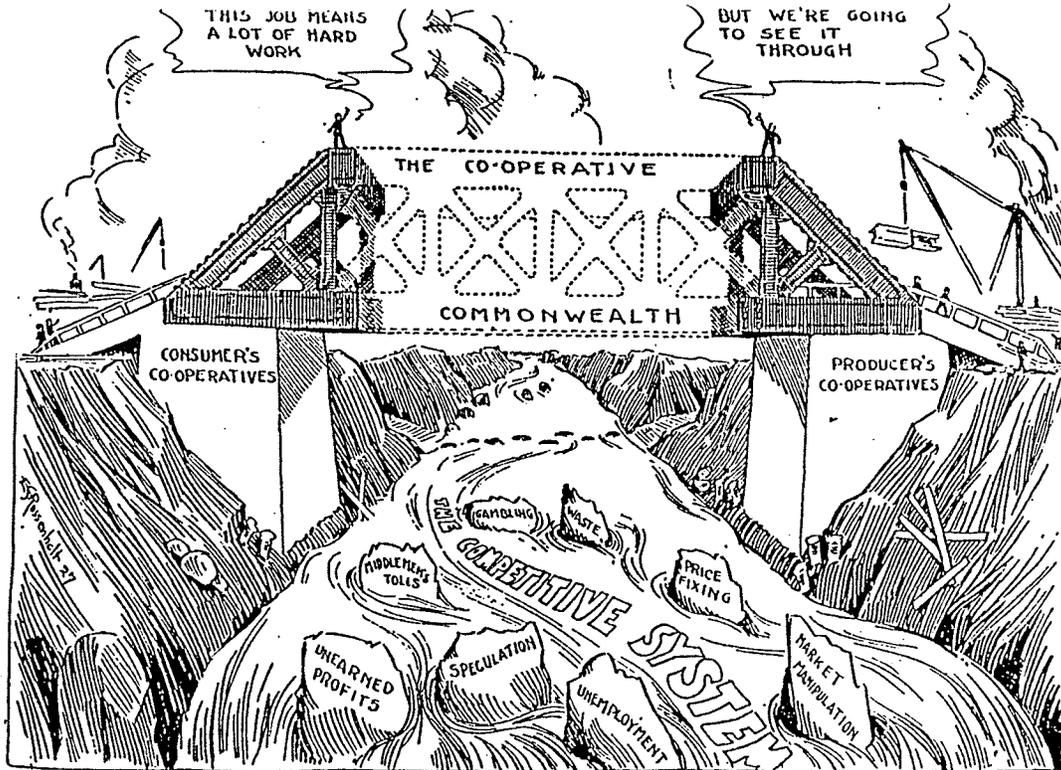
Exhibit IX -2  
*Scoop Shovel*, Mar. 1925, p. 4.



"THE SNIPER"

Exhibit IX-3

*Scoop Shovel*, May, 1929, p. 11



THE BRIDGE BUILDERS

Exhibit IX-4  
Scoop Shovel, Jan. 1927, p. 9.



DON'T BE A POOR FISH.

Exhibit X -1  
Scoop Shovel, Sept. 1929, p. 11.

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