

THE CANADIAN FEDERAL PUBLIC  
ADMINISTRATION IN THE  
NINETEEN THIRTIES

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NINETEEN THIRTIES

By

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SCOPE AND CONTENTS: This thesis studies the evolution and development of the federal public administration during the Thirties - a period in which many of the roots of what we know as the modern positive state were implanted. An era of social upheaval and turmoil, the decade provided an environment conducive to new concepts and relatively 'radical' solutions to issues surrounding the role of the public sector; the federal public administration - the administrative arm of government - was markedly

affected by these developments.

Employing a basically historical framework, the thesis attempts to relate changes in this realm to factors outside of it: socio-political events, economic developments, personalities of leaders, aspects of the Canadian political culture. In such a fashion the undertaking seeks to shed light on a little-discussed segment of Canadian public administration.

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## Introduction

This thesis attempts to make a useful addition to the growing literature on Canadian public administration by bringing to bear several approaches and vantage points for the analysis of the federal administrative hierarchy during a rather eventful period in its development, the decade 1929 through 1939. Our central object of scrutiny, the federal public administration (or: administrative hierarchy) is defined as encompassing the departments of government proper as well as the various agencies and boards that share in the administration of the politically-established rules of the nation. The term "public bureaucracy" will be reserved for describing solely the formal departments themselves and the core control bodies.

A fair amount has been written about the experiences of Canada and Canadians over this ten-year era.<sup>1</sup> From such sources we will extract material pertinent to the tracing of the environment within which the public administration existed and evolved during that period. To this we must add a description and analysis of the changes that occurred contemporaneously in that segment of government. The exercise to

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1. A brief chronology of the decade is attached as Appendix 3.

such a stage would be an interesting and even heuristic one, but to render the endeavour more valuable for scholarly (e.g. comparative) purposes we must attempt to answer not only the 'what' and 'when' but also the 'how' and 'why'. To shed more light on these aspects of the subject, a rough conceptual framework will be devised aimed at better ordering of the data and understanding of the events and trends of the decade.

To this end, we might visualize a society as being in a more or less stable equilibrium - one that might be upset by some event or disturbance which may conveniently be viewed as lying within one of three clusters of social factors, viz., ideas and plans, organization, or means and techniques. Unless such a disturbance is to generate unaccommodated or unresolved stresses and strains, or unless the society involved is to go into static disequilibrium, other factors will have to compensate for this disequilibrium tendency by appropriate movements and adjustments. Equilibrium will be restored, then, only when the new natures of such factors or forces find acceptable levels of intersection and accommodate one another at such levels.

For instance, a pronounced economic dislocation may occur in a stable society, involving a severe weakening of the functioning - both actual and perceived - of extant economic and social institutions (organization) and leading

to a situation where the normal tools and mechanisms (techniques) of the society are unable to rectify the dilemma and return the system to its normal track. Spurred by this disequilibrium, new concepts and solutions (ideas, plans) may be advanced in an effort to facilitate the achievement of a new equilibrium. Such solutions may well in themselves include organizational and methodological innovations to be set up or used in place of traditional ones. In a perhaps too-rough format, this summarizes the Canadian social experience during the 1930's as it relates to the government vis-a-vis society: new ideas and concepts of the role and function of government led in turn to the establishing of new institutions and experimentation with various techniques within the public sector.

Into this overview must be blended the tempering influence of that long-standing Anglo-Saxon socio-political ethos, pragmatism. It was still the prevailing way, the setter of guidelines and boundaries, but this pragmatic approach was itself being shaped by the concepts and solutions being expounded at this time within society. Pragmatism still involved facing, in the most 'feasible' manner, each problem as it arose, but the scope of concern was being widened; with the crystallization of positive government the pragmatic approach assumed new parameters. The liberal-capitalist philosophy was suitably (and sometimes unconsciously) modified, and it reacted with newer concepts and solutions to realize new organizations and techniques - not to mention a new prevailing

ethos.

In succeeding chapters, this thesis will (i) paint in fairly broad strokes the socio-political environment and the disequilibrium factors within Canada during the decade under study; (ii) outline the emerging idea of the positive state and the nature and responsibilities of government which it entailed; (iii) trace the organizational changes in the federal public administration which resulted therefrom; (iv) analyse the new techniques correspondingly adopted to control and guide the functioning of the altered administrative hierarchy. Within the conceptual framework outlined above, we will attempt to place in proper perspective the development of the administrative side of government, with an eye to structural changes, new modes of operation, and a broadened scope of concern - all within a milieu of a Canadian society experiencing, and then recovering from, its worst economic depression.

## I The Socio-Political Environment of the Depression Years

### The Outset

The Twenties, as they drew to a close, could be seen to have been good for most Canadians. The flavor of the era was on a relaxed exuberance, sprinkled with a liberal dosage of just plain fun. Prohibition was ended; the war to end all wars was ended; radios and phonograph machines helped us forget what few cares we had. Economically, the return of "normalcy" brought prosperity to the earlier war-directed economy. Wages and salaries rose; consumer goods were readily available; foreign nations were able to absorb all the wheat and newsprint we could send them. Stock prices were tied to a soaring airplane, and many people were on board. These conditions began to take on some of the characteristics of dangerous extremes as the Twenties grew to their ignominious close - but few Canadians perceived these harbingers of changed times.

The public bureaucracy was rather remote from the minds of most Canadians. Who needed much government in those prosperous times? The conventional wisdom had it that allocating functions to government meant giving them to some bureaucratic body, whose assumed bungling and inefficiency was not questioned. The liberal-

capitalist ethos was enjoying its last unequivocal acceptance, though doubtless many somehow supposed that it was the way, to go ever unchallenged.

Such public attitudes were reflected in the state of the public bureaucracy at the outset of the decade under review. Only a handful of non-departmental bodies existed in 1929, perhaps the most notable being the Canadian National Railways (an enterprise upon which Ottawa had entered only reluctantly) and the National Research Council. About half of the present-day departments were established by that date. In fact, it was only ten years since the federal administration had converted itself into a 'merit' service, i.e. a public service where the majority of employees obtained their positions on the basis of the merit or skills and qualifications they had. Even so, the functions of government were still relatively simple (mostly clerical) and the skill levels of public employees were not very high by to-day's standards.

Control of this administrative arm of government was not rigid, nor a matter of concern for most Canadians or even most Members of Parliament. All departments spent their moneys under the letters of credit system, which allowed them to overspend their appropriations and suffer no adverse consequences for so doing. The report of the Auditor-General, the main watch-dog agent of Parliament, annually pinpointed abuses of financial administration, but his findings and documentations

sparked little continuing concern in the House. This official was under-staffed and over-burdened with work; moreover, no internal executive financial control really existed in 1929. Regarding personnel administration, patronage - long accepted in the appointment of public servants - had clearly not disappeared with the post-War reforms mentioned above. Numerous individual cases were exempt from the purview of the main personnel control body, the Civil Service Commission; further, the Commission's somewhat cumbersome and time-consuming methods themselves hindered more efficient functioning of the public bureaucracy.

The fact that government operated in an "inefficient" manner, however, was at this time not seen as deleterious, and indeed by most Canadians was probably not even seen at all. Government, as has been noted already, did not yet assume large proportions in the socio-economic fabric of Canada; its bureaucratic character - using "bureaucratic" in its pejorative sense - was acknowledged almost unquestioningly but not seriously worried about. Reliance upon government was not openly advocated, save in the few traditional areas of public concern. But there is another perspective from which to view the scene. We might suggest that unconsciously Canadians believed that state action and operation, while perhaps not as efficient as business was assumed to be, was not completely out of the question or unwarranted. Indeed, the nature of the Canadian terrain and the obstacles to be

overcome in opening up Canada would in themselves be enough to justify the opposite. Professor Corry, a foremost student of government, wrote in a special study for the Rowell-Sirois Commission of 1937-39:

One might hazard the view that Canadians have never had any fear of or prejudice against state action as such. Great numbers of them have always been able, thus far, to recall the origin of the state. Having seen it constructed and having watched it grow, they had that familiarity which at least dispels fear. An authority which gives away homesteads and timber limits is not likely to arouse contempt while its benevolence is worth cultivating. Thus the state has lacked the awe and mystery with which age and ceremonial surrounded it in older countries... 1

As well, governmental regulation of the type that was to multiply itself in the Thirties was not unknown by 1929. For instance some natural resource industries and a number of food products were subject to certain controls.

The 'New Despotism' school in Britain and other nations, where government was a relatively greater force in the economy than in Canada, had not failed to detect an impending doom in the growing complexity of the public sector and in the widening gap between politics and administration. Valid questions were being raised, however, amid this furor; Professor Dawson studied the Canadian civil service in the late Twenties and pointed out

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1. J. A. Corry, The Growth of Government Activities Since Confederation (Ottawa, 1939, p. 4).

that real issues surrounding, for example, the freedom and independence of action of the civil servant in the performance of his duties would have to be faced and acknowledged.<sup>1</sup> He ended his landmark study with an observation prophetic of the decade to come:

The Government must grant a large amount of influence and power to its technical and administrative experts, though retaining ultimate control; it must be willing to mark out important areas of administrative activity and free them from external meddling....<sup>2</sup>

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1. R. M. Dawson, The Civil Service of Canada (London, 1929), p. 258-9.

2. Dawson, Civil Service, p. 262.

## The Depression Years

On the basis of the essentially conservative pragmatic policies which marked his administration, Prime Minister Mackenzie King called an election to be held in the autumn of 1930. The main domestic political questions of the late Twenties revolved around the rights of the provinces, which were beginning to flex some muscle and elbow their way toward greater responsibilities; in this regard King had been careful not to step dangerously on any toes. Good times would soon return; of this he was sure. The trends of falling exports and rising unemployment, noticeable by this time, would, he thought, not amount to much; the slump in the stock market of late 1929 was only temporary. Anyhow, King was confident that his administration would be returned in preference to the Conservative alternative led by their newly-chosen leader, R. B. Bennett.<sup>1</sup> Meighen appeared to King to be a better man than the latter, and King had defeated Meighen. No new policies were even called for: "Surrounded in his cabinet by men of basically conservative temperment... Mackenzie King doggedly defended the barren ground of rugged individualism."<sup>2</sup>

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1. Surely we can no longer accept the view that King, foreseeing the coming hard times, purposely lost to saddle the Conservatives with the blame and stigma. We might note however that Dafoe, the leading Liberal editor of the day, suggested just after the 1930 election that such a tarnish would occur. See R. Cook, The Politics of John W. Dafoe and the Free Press (University of Toronto Press, 1963), p. 193.

2. K. McNaught, "The 1930's", in Careless and Brown eds. The Canadians (Toronto, 1967), Part One, p. 237.

But the Canadian electorate was not simply willing to try more of the same; Bennett campaigned hard and long, and promised action in place of words. This was the type of appeal which hit home at a time when - to the average citizen - things were not going well and appeared to be getting worse. The upshot was that the Conservatives gained a net total of some 42 seats in Quebec and on the Prairies over their 1926 standing, and won a clear majority of 131 seats in the new House. (See Appendix 1) While perhaps not a charismatic leader in the Weberian sense, Bennett was a man who inspired people to believe he would take action. Like peoples in other parts of the Western world, Canadians were ready to give their support to strong leaders who persuaded them that they had the answers to existing problems; even in those early Depression years this response was a natural consequence of public anxieties. Perhaps the same supportive attitude "explains" in whole or in part the rise of Ramsey MacDonald, Franklin D. Roosevelt, and even Adolf Hitler. In the Canadian provinces, men like Duplessis, Hepburn, and Aberhart drew their support from comparable responses.<sup>1</sup> In retrospect, then, one could suggest that the too-cautious King was a victim of this phenomenon, this groundswell of confidence which led to support for leaders promising strong measures - and sometimes downright radical policies. Such attitudes form a part of the setting for the development and expansion of the

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1. J. B. Brebner, Canada: A Modern History (Ann Arbor, 1959), p. 455-6.

role of government during the Thirties, although the ultimate outcome was certainly not clear at this early stage. To better understand the backdrop against which the Canadian public administration was reshaped we must comprehend the impact of the Depression on Canadian life. The potent social forces, ideas, did their work in the wake of the havoc which was wrought upon social institutions and organs by the pervasive effect of the greatest economic dislocation Canada has known.

The Depression was international in scope and as such hit hard at Canada, a nation heavily dependent upon a continued flow of exports. "Between 1929 and 1931 the value of world trade fell by 42 per cent" and raw material prices were badly hit.<sup>1</sup> Overseas markets were closed off to Canada by nations suddenly turned protectionist; international economic stagnation set in. The supply of foreign capital, so necessary to our industrial expansion and even survival, dried up. Moreover, the loss of trade dollars greatly increased the burden of external payments. To a nation such as Canada whose whole transportation system is geared primarily to moving products for export, the havoc in the economy is compounded.

Internally, the Canadian picture was one of mixed extremes. In addition to losing much of their markets for wheat, the Prairies

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1. Report of the Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Report) (Ottawa, 1940), Book I: Canada 1867-1939, p. 141. This section of the Report traces in much greater detail than we are able to do the Canadian economic experience during these years. Much of my summary has been synthesized from this wealth of data.

suffered drought in the early Depression years the likes of which had never been previously known. Much of the so-called "bread basket" became overnight a dust bowl. The Prairie world became locusts, hoards of rotting wheat for which no market existed, and overall gloom. Other regions fared less badly, although the Maritimes, geared to the export of lumber, fish and farm products, were hit hard. By and large, central Canada suffered least (owing, among other things, to protective policies adopted toward industry).

Non-geographical variations were marked as well. Canadian industry faced the economic disequilibrium mainly by obtaining the protection noted above, and by cutting back output, in order to maintain prices. This kept profits from declining as much as they might have done but it made for large scale industrial unemployment, alongside the vast layoffs within the raw material enterprises. Thus general levels of income fell sharply, while prices proved to be more 'sticky' - resulting in a virtual pauperization of large numbers of workers. Many of the latter had moved to urban areas during the booming Twenties; their plight there in the Thirties was indeed pitiable. Such masses of people, one might suggest, were open to new solutions, especially when their situation is compared to the relatively protected existence of the smaller salaried and rentier class. An observer might have thought that in one fell swoop many members of the 'middle-class' - backbone of society - were suddenly deprived of their income, status and self-respect and reduced to paupers dependent upon scraps and handouts.

In short, the statistics fail to conjure up "the reality

of wasted lives, of long lines of forlorn men stretching away from the city soup-kitchens or shivering against the wind on the tops of freight cars" and wandering the length of the country in search of non-existent work.<sup>1</sup> The loss of income, the reduction of status, the break-up of the neighbourhoods, the lack of even basic foods: these were the realities of the Depression years. Out of such raw material Steinbeck distilled The Grapes of Wrath.

A time for examining existing organization of society was at hand. To the 'average Canadian' it was clear that industry was not providing jobs. It was apparent that the banking system was not functioning as it should, with an eye to the well being of its clients. That existing agencies were not doing their job of selling wheat was obvious. To the thousands of urban destitute, it was manifest that extant welfare agencies were sadly unable to cope with the new circumstances.

What were the political realities existing within the socio-economic context? Firstly, there were the two "old-line" parties: traditional conglomerations of diverse interests, pragmatic in outlook and on the whole faithful to the status quo. Bennett and King were no further along the Keynesian road than Herbert Hoover. Their two parties were based, in outlook and organization, primarily in central Canada. Secondly, there were constitutional as well as political inhibitions which augured ill for the introduction of drastic reforms. The initial reaction of the Conservatives (and

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1. McNaught, "The 1930's", p. 240.

the King Liberals also) was that welfare was almost wholly a provincial responsibility; the fact that several provinces were almost bankrupt and thus in no position to undertake large-scale relief expenditures was only gradually acknowledged. Coupled with this was the political opinion that nothing out of the ordinary was called for by the current economic dislocation, for had not previous downturns eventually righted themselves? A third political given was the immediate appearance of fairly sharp regional as well as social cleavages in the conditions of the country, which led to the establishment of new (or to the strengthening of existing) regional associations and parties. The latter proved to be the media through which were disseminated the catalytic new ideas and solutions, concepts involving a curtailment of free-for-all laissez faire, a more positive activation of the public sector, a role for government as guide and director, and Keynesian economics. Such thinking provided the starting-point for the decade's governmental evolution and the accelerating expansion of the public administration.<sup>1</sup>

Aside from some of the political realities already noted, several established opinions militated against an early adoption

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1. James Burnham, in his The Managerial Revolution, sees the expansion of government and bureaucracy as deeply imbedded in the Western World. "The New Deal sprang from the inner structural drives of modern society, the forces that are operating to end capitalism and begin a type of social organization...." (Penguin edition), p. 229.

of what has come to be called welfare state measures for combating the distress engendered by the Depression.<sup>1</sup> The major part of this stock of "proverbs" derived from years of prosperity under a laissez faire philosophy. Was it not prudent that in a period of high wages workers should put something aside for a rainy day; would not welfare and too much security destroy initiative? These samples of wisdom were being purveyed until the depth of the Depression exposed them as irrelevant. Some spokesmen, speaking in a purely economic vein, made much of the possibility that welfare cost might price Canadian goods even further out of world markets, (ignoring the fact that many European nations had weathered the introduction of similar measures).

Against such conventional wisdom, and in face of the social and economic realities of the times, various groups and thinkers in the early Thirties began advocating radical solutions, involving a considerable reordering of the existing social and economic framework. Perhaps the most significant such group was the League for Social Reconstruction and its offspring, the C.C.F. party. In the latter's famous Regina Manifesto of 1933, were included provisions calling for socialization of the economic order and all financial machinery, introduction of extensive public health and welfare services and the setting up of public boards to

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1. These attitudes are outlined in a study, entitled Public Assistance and Social Insurance, prepared by A. E. Grauer for the Rowell-Sirois Commission. See p. 54-8.

oversee many aspects of the economy.<sup>1</sup> Such thinking was clearly anathema to the older parties but not to fairly large numbers of Canadian voters as the C.C.F.'s immediate electoral success shows. By 1934, the party was the official opposition in British Columbia and Saskatchewan and had won seats in three other provinces, including Ontario. Contemporaneously, various farm protest groups were calling for drastic changes in the Canadian socio-economic fabric. The old order was being broadly and vociferously questioned; the familiar institutions and the accepted techniques of operating them were clearly more and more insufficient to maintain prosperity and economic equilibrium. New solutions to the new problems would be catalytic of organizational change for a new viability. Perhaps the long-run significance of the C.C.F.'s appearance lay in its serving as a "sounding board for the opinions of all those who had lost their trust in the ability of the two old parties to find an acceptable solution to the country's economic ills."<sup>2</sup> As if to provide the final straw, much of what was being advocated in Canada by such bodies was being experimented with and implemented in the United States. At a Liberal party thinkers' conference at Port Hope in 1933, the New Deal's significance for Canada was summed up

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1. For detailed discussion of the platform, see D.E. McHenry, The Third Force in Canada: The Cooperative Commonwealth Federation, 1932-1948, (Berkeley, 1950), p. 265-300.

2. H. R. Hardy, Mackenzie King of Canada (London, 1949), p. 150.

thusly: "First, it is a polite name for the first real revolution that has struck Anglo-Saxon America ... second, its main principles are quite easily applicable to this country."<sup>1</sup> At the same gathering, a leading liberal thinker, R. M. MacIver, provided what amounted to an ideological basis for a 'new deal': "...capitalism and communism are not systems but principles. Liberalism believes in combining them, not in a pre-determined way, but experimentally, in face of the situation, in the light of experience...."<sup>2</sup>

The Canadian socio-political environment of the 1930's was a markedly different one from that of the preceding decade. "The most important historic consequence of the great depression was its grim, detailed, and unchallengeable demonstration of the chronic deficiencies of unbridled competition as the governor of the modern economic system."<sup>3</sup> The experience altered in a permanent way the rules governing the interrelations of government, of industry and of individuals. Having noted that demands for positive state action were the prime political inputs of the Depression years, we may now return to consider the responses by the federal govern-

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1. T. W. L. MacDermot, "The Significance for Canada of the American New Deal", in The Liberal Way Report of the First Liberal Summer Conference (Toronto, 1933), p. 185.

2. R. M. MacIver, "Liberalism and the Economic Challenge", in The Liberal Way, p. 211.

3. H. Finer, Road to Reaction (Boston, 1945), p. 3. This little book was penned as a response to the thinking contained in Hayek's The Road to Serfdom and similar works.

ment to such demands, to look at the outputs which resulted and to assess their effect on the public administration - that aspect of government whose growth was a function of such inputs, and the consequential outputs.

## II Governmental Policies and Programs: New Functions and Responsibilities

When R. B. Bennett assumed office he was very much the conservative. Here was a man born in humble surroundings who had made good, very good financially, as a corporation lawyer. He would not stand for noisy protest demonstrations; he dealt with them in a rather high-handed manner, much as he did with radicals and aliens who might be assumed to be radicals. He was a proud man (some would say haughty) who exhibited strongly British feelings and yet was in some ways the Canadian nationalist. Nationalism was a widespread response to the conditions of the times - in Canada as well as in other countries - and it found a strong advocate in Mackenzie King and other leaders, too. Bennett's conservatism and his nationalistic vein (coupled, one should add, with his non-appreciation of the depths of the economic disruption at hand) directed him toward orthodox policies at the outset of his tenure.

Economic orthodoxy meant economic nationalism, protection of home industries, the preservation of public credit and status and the use of tariff changes. It meant balancing the budget of the public sector. In short, it indicated doing what was normally done and doing it fully and carefully in order to allow the innate forces of the economy to do their good work and bring about economic recovery. Bennett promised, in his famous words, to blast his way

into the world markets via tariff bargaining. He also promised the initiation of some public works (i.e. make-work projects) and the assumption of the provinces' share of old age pensions by the federal government. The latter moves were the type needed to begin alleviation of the distress but they were as drops in a bucket. Small-scale public works had been utilized by previous administrations for similar purposes, but the dimensions of the present situation were incomparable with anything that had gone before. Bennett assumed office and implemented his promises, though with only minor impact upon the plight of many thousands of dispossessed Canadians of the day.

We might recognize one pervading feature of Bennett's administration (and it was very much his own) as consisting in his intention - based on his desire or at least an assumed necessity - to reorganize, administratively and structurally, the federal government. While several of these developments will be taken up in detail in subsequent chapters, a summary of these varied steps indicates the complex nature of the period under study and the variety of changes which it saw. The effective causes, sometimes difficult to single out and weigh, included reascent nationalism, the need to rationalize and better organize the growing bureaucracy - coupled with Bennett's own penchant for corporate organization, the economic and social distress we have traced, the mounting demands for action of a wide variety of sorts and the experience of other nations. Many of these changes regarding the federal government were overdue, and of considerable long-run significance, but collectively they did

little to ameliorate the immediate conditions. A simple listing of them will be sufficient to indicate both the former and the latter: reorganization of the National Harbours Board on a more centralized basis; initiation of a detailed study of all phases of transportation in Canada; setting up of the Bank of Canada; establishment of the Canadian Radio Broadcasting Commission - later to be the C.B.C.; rationalization of the control of the public bureaucracy, including the creation of the office of Comptroller of the Treasury. Most of these moves reflected Bennett's businessman's pragmatism. The financial system is under strong criticism and is clearly not functioning the way it should, so let a central bank be set up on the model of the one that works well in Britain. Radio broadcasting is having growing pains and is being threatened with 'Americanization', so regulate it so as to make it widely available and strongly Canadian. Transportation, particularly the railroads, have been hardhit by the Depression, so set a body to study the problem in depth and recommend the necessary action. The bureaucracy is fraught with over-decentralization as regards financial operation, so reorganize the internal control mechanisms so as to make it more responsive to executive wishes and policies.

In short, Bennett as the corporation man was widening the parameters of governmental purview. He was becoming imbued, perhaps unconsciously at first, with a conception of government as a regulator, as a positive agent within the society. By his condoning the employment of a variety of boards and agencies and by his determined effort to remake the bureaucracy into a more 'efficient' body,

he was paving the way for the much more marked expansion of government that was to come during the second world war under the aegis of C. D. Howe.

Toward more direct alleviation of the plight of many in those years, Bennett gradually directed more attention. The government started purchasing wheat in order to move accumulating stocks and to put money into farmers pockets. Relief payments were continued, and even increased, but the actual disbursement was left in the hands of the several provinces and thus suffered from some lack of co-ordination. The idea of work camps to construct useful public facilities such as airports was introduced and the camps employed otherwise jobless men in fairly large numbers. But these measures were palliative; Bennett was far from accepting more socialistic measures. One of his biographers makes the point that the Prime Minister distinguished between what we might term the 'welfare state' and the 'egalitarian state' - and that he would have instinctively shunned the latter.<sup>1</sup> Bennett gradually shifted away from the stale (and barren) economic orthodoxy, showing, as had the experience in several other nations, that the absence of a fully developed Keynesian theory is "no barrier to what might loosely be

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1. E. Watkins, R. B. Bennett (Toronto, 1963), p. 219. This author sees Bennett's 1935 new deal package as being in the tradition of English Conservatives' legislation which set the boundaries within which the free individual shall have full play; he cites the Poor Laws as an instance of this. See p. 218. The collectivist streak of the Canadian Conservative Party is discussed by J. L. Granatstein, The Politics of Survival: The Conservative Party of Canada, 1939-45 (Toronto 1967), Passim.

termed Keynesian policies."<sup>1</sup>

Bennett's real conversion, however, to a new philosophy did not come until late in his term of office, and it came at the hands of a brother-in-law who had witnessed and participated in many of the exciting developments that went with the American New Deal. The result was a rather radical legislative package introduced into the House on the virtual eve of the 1935 election, aimed at imposing a wide variety of rules and standards on industry and at aiding the individual worker. Included were bills relating to unemployment insurance, minimum wages, regulation of trade and industrial practices and a variety of less welfare-ish topics. While it was strongly suggested that many, if not all, of these bills would be declared ultra vires the federal government's constitutional powers, Bennett did not seek judicial opinion on the question. Instead he campaigned strenuously with these measures as his main platform planks. Mackenzie King, rather true to past form, did not take a definite stand on the inherent worth of the bills, hinting only that such judicial opinion should have been sought.

The Conservatives went into the 1935 election as badly split as they had ever been. The Prime Minister's authority to make such a marked departure from traditional thinking was strongly and openly questioned.<sup>2</sup> Moreover, an important Cabinet Minister,

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1. R. Skidelsky, Politicians and the Slump - The Labour Government of 1929-1931 (London, 1967) p. 387-8.

2. J. R. Williams, The Conservative Party of Canada, 1920-1949 (Durham, 1956), p. 218-9.

H. H. Stevens, broke off and formed the Reconstruction party and campaigned to the small man against big business.<sup>1</sup> But so completely had Bennett dominated the party that no other leader could possibly have been selected for this election. Complicated by these factors, and by the very recent rise to national prominence of the C.C.F. party and other regionally-based parties, the outcome was difficult to predict. In the end, the Liberals won a whopping majority of 173 seats out of 245. (See Appendix I)

Bennett resigned as Conservative leader, and the 1938 party convention refused to endorse his policies<sup>2</sup> - even though the gathering that selected Bennett as leader a decade earlier had included a relatively progressive labour plank in its platform resolutions. Perhaps the long-run significance of the 1935 proposals was that it "served to remind the Conservative Party in Canada that it had a radical tradition....."<sup>3</sup> Some similarly enlightened policies emanated from the party's 'think' conference in 1942. R. B. Bennett disappeared from the national scene as quickly as he had moved into its spotlight, leaving as his thoughtful legacy an indelible mark of alterations upon, and durable additions to, the federal public administration.

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1. For more on this short-lived party, see J.R.H. Wilber, "H. H. Stevens and the Reconstruction Party" in Canadian Historical Review (March, 1964), p. 1-28.

2. Williams, Conservative Party, p. 219. As other authors have similarly observed, Bennett was seen to have lost that intangible quality, reliability. See p. 222.

3. Watkins, R. B. Bennett, p. 248.

The Canadian populace had experienced some taste of the administrative state that was emerging in Canada as it had in other parts of the world, and it was not quite sure how to react to what to think. By 1935 the worst of the Depression had somehow passed and a return to normalcy could be envisaged. But normalcy would not mean the previously-existing status quo. A prominent Canadian historian has commented on the mid-Thirties election thusly:

The victory was not a tribute to Mr. King, it was not a proclamation in defence of Liberty, it was not even a pronouncement on the issues of the day. Liberalism, as it emerged in Canada after 1935, was the counterpart of Baldwin Conservatism ... of Le Front Populaire ... of Rooseveltian Democracy: it represented the huddling together of frightened people, uncertain of their way in a chaotic world.<sup>1</sup>

King's victory can be seen as a restoration of confidence, such as the formation of the National Government in Britain had accomplished. A new order was being sampled, but not accepted fully; new ideas and concepts could amend and alter - but not remove entirely - the older ones. The Canadian Supreme Court, upheld by the Privy Council, declared invalid as ultra vires most of Bennett's new deal bills, reversing a perceptible earlier trend toward ruling which showed a bias toward the federal government.<sup>2</sup> Notwithstanding the federal-

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1. A. R. M. Lower, Colony to Nation (Toronto, 4th ed., 1964), p. 523.

2. On this momentous ruling, see McNaught, "1930's", p. 261ff; Grauer, Public Assistance, p. 270. F. R. Scott sees in these rulings a bar, for the time being, to attempts at national regulation in such areas. "The Privy Council and Mr. Bennett's 'New Deal' Legislation", C.J.E.P.S. (May, 1937), p. 235-41. The earlier decisions supported federal regulation of aeronautics and radio broadcasting.

provincial constitutional issue, one could suggest that such radical legislation was a little too much for the swallowing whole by the gentlemen of these august bodies, and doubtless by large numbers of Canadians. The decision prompted much discussion in the House, and led prominent members on all sides, including Justice Minister Lapointe, to agree that the constitution should be amended to allow Canada to decide for herself where responsibility for such matters should lie.<sup>1</sup> The whole episode, from Bennett's initial espousal to the final judicial decision and the after-math discussion, served to focus public attention on a number of issues and areas that would in ensuing years become accepted as a basic foundation of public law in the positive state.

Although not a supporter of most of Bennett's policies during the preceding five years, King assumed office in 1935 and did little other than cancel some of the makework projects to alter them. King saw, as he had done regarding the Progressives during the Twenties, that his programs must include enough nationalism and social reform to prevent "the socialists (read C.C.F.) from achieving further gains."<sup>2</sup> This new, socially progressive party was serving a useful role in spurring change and the acceptance of new ideas both federally and in the several provinces where they had achieved electoral success. The importance of its leading

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1. M. Ollivier, Problems of Canadian Sovereignty (Toronto, 1945), p. 199-208.

2. McNaught, "1930's", p. 253-4.

man in the House, J. S. Woodsworth, as an intellectual gadfly and social conscience was considerable.

King, perhaps the most pragmatic political leader Canada has known, was also an astute politician who remained in office until the post-war years. With some improvement in economic conditions from the mid-Thirties on owing primarily to a pick-up in world trade the provinces reasserted their postures of the Twenties in defence of provincial rights. The recent Privy Council decisions on Bennett's "new deal" proposals backed them constitutionally. King, feeling his way carefully, called a federal-provincial conference to study the handling of relief and unemployment matters; this resulted in new accords and increasing of federal grants to the provinces. The whole topic of federal-provincial relations in Canada moved quietly into the political limelight, partially because many issues raised or hinted at by the nascent positive state involved matters and responsibilities that lie within provincial purview. To delve into the question, and related issues, the Rowell-Sirois Commission was set up in 1937, and given a wide scope within which to work. This body produced voluminous reports and special studies which have become indispensable for the student of Canadian history and evolution. However, consideration of many of its findings and recommendations was shelved by the outbreak of the second world war.

In fact the ominous imminence of its outbreak, coupled with the concern with and focus upon federal-provincial relations, distracted public (and political) attention from major expansion of

the positive state. But some consolidation of it was accomplished, and some further expansion undertaken. While many of its welfare aspects would have to await federal-provincial accord, action could be taken in the regulatory and participatory areas. The Bank of Canada was nationalized, in response to substantial public pressure; in fact it would have been a wholly government-owned body had not a majority of the Commissioners recommending its establishment sought to emulate the privately-owned Bank of England. (The latter was nationalized by the Labour Government in 1945.) The C.B.C. was formed out of the 1932 Canadian Radio Broadcasting Commission and with this move the government entered strongly into the business of radio broadcasting as well as the regulation of broadcasting. The National Film Board was created in 1939 (really out of a branch of the Department of Trade and Commerce). Trans-Canada Airlines was founded in 1937 to provide a national air service. Such moves reflected the strong nationalism of the times, as well as a perhaps unenunciated acceptance of government as an active participant in the economy and society.

The 1930's, then, saw Canada well on its way toward realizing the regulatory state. The steps taken were ad hoc and sometimes piecemeal but they were in accord with the long-established Canadian pragmatic approach. New ideas regarding the place of the public sector were advanced, and some were accepted; a philosophy which could justify and further promote these developments was not yet, however, fully elaborated, or if it was, it was entertained only by a minority. But that a new era was at hand was apparent. New governmental agen-

cies and corporations began to function and take their place in society. Various welfare measures were publicly discussed, and a few were implemented. Pure capitalism if it had ever existed was no longer the unquestioned way. The whole New Deal atmosphere of the United States was widely known to Canadians.<sup>1</sup> More and more academics moved in and out of Ottawa, serving as governmental advisers, members of new boards and public corporations and on Royal Commissions: the term civil servants no longer included only clerical staff. One might even postulate that Canada moved from the nineteenth to the twentieth century, governmentally, during the 1930's.

We next turn to a discussion of some of the issues and problems raised by the advent of the positive state which we have been sketching, and a closer look at some of the structural changes and additions to the federal public administrations which this development entailed. Following this we will hone in closer and consider some aspects of administration and control of the bureaucracy as they functioned during our period of concern.

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1. Under the New Deal, "the principles of economic rationality gave way to varying kinds of moral beliefs and values that were put into objective national law" which exercised "enormous power over private enterprise." W. L. Warner, The Corporation in the Emergent Society (New York, 1962), p. 30.

III. The Public Administration: Political Problems  
and Structural Changes

We have seen how varying conceptions of the role and place of government, coupled with the environment within which they were enunciated, exerted their influence on the policies and programs of the political leaders during the Thirties. Such developments in turn sparked changes in the implementing arm of government, the public administration, a number of which we have already touched upon. In turn, as well, these evolutions in attitudes and ideas led to new problems, new questions that called for further consideration and demanded answers, if democratic rule - perhaps in some yet uncrystallized form - was to be maintained. In short, the emerging positive state implied a vast expansion of the public administration if its regulatory and participatory - not to mention its social service - roles were to be carried out; it also introduced in this wake a series of issues which at an earlier stage had been virtually irrelevant.

Perhaps the Depression only put into particularly sharp focus several key aspects of the growing complexity of society that had been more or less apparent since the turn of the twentieth century. By the onset of the Depression there existed such "given" character-

istics of modern life as the disappearance of classical economic competition in the face of large-scale enterprise, the more technical nature of employment in such an industrial scene, the ever-expanding frontier of technology and the trend toward greater and greater urbanization and they would have to be acknowledged even if not fully faced in the solutions advocated in response to this event and the altered nature of society which resulted. This is not the tangential observation it may seem to be: the changed conditions of societal existence would, one could suggest, have sooner or later required appropriate governmental action; the developments of the Thirties merely sharply accented the necessity of such action.

Be this as it may, the gradual crystallization of the positive state through the Thirties (and continuing through the war and post-war years) came to rely more and more on expert and detailed knowledge. The functioning of regulatory agencies, for example, demanded an intimate understanding of that industry or aspect of society under the purview of the agency. If the Bank of Canada is to "regulate credit and currency in the best interests of the economic life of the nation"<sup>1</sup>, it must clearly possess a broad and continuing appreciation of all monetary and fiscal aspects of Canadian economic life. The Bank must have at its disposal current analyses of such matters as all types of interest rates, employment statistics, price indices, balances of payments and capital flows and others. Further, in order to carry out its aims, the Bank must be able to act to adjust these conditions in

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1. Preamble to the Bank of Canada Act, 1934.

the manner it sees fit. In summary the situation exists here where an agency (the Bank of Canada) which is relatively free of any direct external control is established by Parliament and given the rather momentous responsibility of regulating - an observer might easily conclude - the economic life of the country. What is significant in this regard is the shifting of this responsibility and power from the elected representatives of the people, where in the past it rested (admittedly in a nebulous unrecognized sense only). What is of real importance, then, is the actual assuming of these responsibilities by the public sector, followed by their being delegated to a body set up specifically for this purpose. We have hit upon a crucial characteristic of the positive state here: the acceptance of responsibility for areas of the social and economic life of the community which heretofore were unregulated and free to fluctuate as other forces would move them. Underlying this development in turn is a broad trend toward centralization of responsibility, characterized by domination - to a greater or lesser extent - of many facets of society by the central authority. Noticeable in many nations, this pattern is a crucial aspect of "positive-state" society - many of the roots of which were planted in Canada during the Thirties. This development and extension of the public sector occurred in response to some of the factors we have traced in preceding chapters, and was most pronounced during the decade in relation to what we have called the regulatory and participatory side of government as against the social welfare aspect which came to be accented in later years. Several issues concerning this first facet of the positive state bear further scrutiny.

These issues, when linked with the nature of the expansion actually occurring in the public administration, constitute the significance of the decade for the administrative branch of government.

As we have noted, the first step toward a positive state or away from a negative conception of government was the decision to assume responsibility over matters that previously the public authorities had no interest in. Once this step was taken, as happened in a number of areas of Canadian society during the Thirties, the question arose as to the nature of governmental participation. Several reasons augur for the delegation by Parliament of most of these new legislative (i.e. rule-making) powers to subsidiary bodies. The 1932 Committee on Ministers' Powers in Britain (where the evolution of the positive state had proceeded further) listed some such reasons.<sup>1</sup> These included (i) pressure on Parliament's time; (ii) technicality of subject matter to be dealt with; (iii) the necessity to deal with unforeseen contingencies - in other words, the need for continuing legislation; (iv) the parallel need for flexibility; (v) the need to allow opportunity for experimentation to realize the best method of proceeding; (vi) sudden need for action, when Parliament may not be sitting or may be otherwise occupied. Such reasoning, sufficiently valid, became still more valid as the scope and complexity of public responsibility increased. At this stage we should recall that delegation of legislative powers by Parliament was not novel by the 1930's. Indeed, "(a)s early as 1933 ... at least one-half of the 225 public acts ... in force gave

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1. Great Britain, Report of the Committee on Ministers' Powers (London, 1932), p. 51-2.

power to the executive to legislate by order-in-council or departmental regulation...."<sup>1</sup> The significance of much of the delegation carried out during this decade (and afterwards) lies in the fact that the relevant powers were not given to the executive in the traditional sense or to the formal departments themselves but rather were lodged with new bodies created expressly for the purpose of utilizing such powers to carry out specific aims. Such agencies were of many types but most had some common characteristics:

Their purpose is to work out the details of the new objectives of public policy, and to carry out the detailed administration required to achieve results in any positive activity and, in many cases, to decide disputes which arise between themselves and individuals . . . Within specified limits, they are at once legislators, administrators and judges . . . <sup>2</sup>

This last point, the necessity to act as judges in the carrying out of their responsibilities, has sparked much controversy surrounding the undermining of the normal courts and the possible curtailment of certain legal rights as a result of such practice. While beyond the scope of this study, the whole question is one of considerable importance to a society which prides itself on the rule of law and the guaranteeing of specific rights under the umbrella of the concept of natural justice. A tangential problem, one similarly beyond our scope, involves the publication or publicizing of the 'legislation'

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1. R. M. Dawson, The Government of Canada 4<sup>th</sup> ed., (Toronto, 1964), p. 290-1.

2. J. A. Corry, "Introduction - The Genesis and Nature of Boards" in J. Willis ed, Canadian Boards at Work (Toronto, 1941), p. xxii-iii.

(viz. rule-making and order-making) enacted by these various boards, and the review of such material by the responsible elected representatives. Our too-brief reference to these matters is in no way intended to minimize their import; much of relevance has been written and spoken on them in other sources.

We have referred to the need for a new animal of administration brought to birth by the broadened and more complex nature of the public sector which evolved during the Thirties, and we have mentioned in passing some of the legal points encountered by this development. An important political offshoot of the appearance of specialized boards and agencies was the creation of arenas of interest, which became foci of concern and pressure for groups whose interests were affected by the responsibility of one administrative organ or more. This has some broader implications, for "Interests in policy shift to these administrative constituencies which are both able and willing to participate in policy-making."<sup>1</sup> Such constituencies would include the various direct clienteles, other administrative units and the mass media, at least. This phenomenon greatly increased both the scope for and centers of bargaining, and negotiation and compromise, over many aspects of public policy and went hand in hand with a strengthening of most of the interest groups involved.<sup>2</sup> Much pressure hitherto brought to bear on

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1. V. A. Thompson, "Bureaucracy in a Democratic Society", in Roscoe Martin ed Public Administration and Democracy (Syracuse, 1965), p. 211.

2. Via implicit recognition of such groupings, by granting of representation on some of the boards, etc. On the impact of the New Deal in this regard, see R. Dahl and C. E. Lindblom, Politics,

the government would from now begin to be focused on these boards and commissions, manifesting a development that was perhaps not fully recognized for what it was, namely the tendency to bypass Parliament and concentrate instead on the bodies charged with the implementation of the laws assented to by Parliament. The latter more and more took on the appearance of mere skeletal frameworks as the nature of areas being legislated upon were of increasing complexity; continuing implementation - and indeed much necessary interpretation - was delegated to the emerging fourth (i.e. administrative) branch of government. Further, many acts explicitly gave the named boards or commissions the power to fill in gaps in the legislation and also to adjudicate between views coming before them. It is no surprize that interested parties quickly assessed this situation and that the administrative constituencies alluded to already gradually evolved. The problem of the reality of democratic control by the executive and legislature over policy in such an environment became a vital issue. While Parliament could of course alter drastically or revoke the enabling statute of any such subsidiary body, once the latter had become established and was functioning within its sphere, this would indeed be strong medicine. Such a step could be, and has been, taken on occasion but it is clearly not a daily possibility. During the Thirties, when the expansion of the public administration was occurring, this matter was raised; we shall return to it later.

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Economics, and Welfare (New York, 1953), p. 269, 307. More and more social legitimacy accrued to these interest groups as a result of this tendency.

Another aspect of this issue hinges on the nature of collective action that formed the basic tenet of many positive state proposals. If collective action is to replace individual effort in certain fields, then the bodies designated to do the jobs "must have some freedom from the restraints formerly imposed by Parliament and the Courts under vastly different conditions."<sup>1</sup> To carry out a rational program in some of the technical fields brought under the purview of public responsibility, an agency must be granted a degree of leeway, of freedom from the day to day whims of Members of Parliament. The thinking must no longer be to control and limit government as much as possible, but rather to allow a beneficial flowering of the budding public sector. And from this period on, economic analysis in Canada would have to acknowledge the existence and economic importance of the non-private part of the economy.<sup>2</sup>

The expansion of governmental activity and involvement during the decade under study, which led to most of the points we have just discussed, was much more marked than in any previous

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1. Corry, "Genesis", p. xxii.

2. E. Ginzberg, D. L. Hiestand and B. G. Reubens in The Pluralistic Economy (New York, 1965) subdivide the non-private (dubbing it the not-for-profit) sector into (i) government and (ii) nonprofit, including such bodies as churches, unions, social clubs, professional groups, Blue Cross. They state that by the 1960's about 25% of the U.S. G.N.P. was generated by this not-for-profit sector. See p. 2-4, 22, 193.

similar time period.<sup>1</sup> The various new organs of administration appeared on what could only be termed an ad hoc basis, in response to problems which arose and appeared to demand action; no master plan of a New Deal nature was utilized. By ad hoc we imply "intellectually inadequate." The format taken by each of the new bodies created was dictated by whatever seemed most appropriate for the function or responsibility envisaged; thus the new public corporations do not easily fit one or two molds - an aspect of the administrative growth of government which becomes more apparent when we come to classify instances of this expansion.

However, by way of summarizing some of our earlier thoughts we might advance some statements regarding the moves that were made by the Bennett and King regimes of the day. Nationalism underscored the creation of several agencies, most notably the C.B.C., the National Film Board and Trans-Canada Airlines. The setting up of the Royal Commission on Transportation, coupled with the establishment of the National Harbours Board, the Board of Transport Commissioners and T.C.A. and the attention devoted to the plight of the C.N.R. indicated an underlying concern with various phases of transportation - a vital cog in the Canadian economy. Economic circumstances were probably instrumental in the founding of the Bank of Canada and the Canadian Wheat Board. But self-evidently all of these innovations would have been next to impossible without the

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1. For a listing of institutional changes in the federal public administration during the decade, see Appendix 2.

gradual acceptance of a new conception of the place of the state in society, coupled with the conditions of the day. It was not until the Thirties that "the national government displayed any marked inclination to experiment extensively with the device of the public corporation."<sup>1</sup>

We have portrayed the setting for the expansion of the administrative arm of government, and have attempted to analyse some of the efficient causes. We are now in a position to devote closer scrutiny to the actual developments that occurred in this area, beginning by essaying a classificatory scheme to enable us to better study the variety of agencies and boards that were created in the 1930's. To commence, we might first acknowledge what has by now become all too apparent - namely, that these organs of government masquerade under a number of collective titles such as agencies, commissions, boards and public corporations. The latter term has come into widespread usage as it appears to lack some of the specific connotations often attached to the others; we shall thus employ it when we refer to these organs in general, viz. to the non-departmental bodies established to implement some aspect of public policy. The term public corporation as used here will not include the administrative control bodies of the public service such as the Civil Service Commission or the Auditor-General's office; as well, 'Crown Corporation' will be used synonymously with 'Public Corporation'. Lord Morrison, the prominent British public official and

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1. J. E. Hodgetts, "The Public Corporation in Canada", in J. E. Hodgetts and D. C. Corbett eds, Canadian Public Administration (Toronto, 1960), p. 185.

political figure, has cogently stated the reasons why a public corporation per se is used:

[The reasons] are that we seek to combine the principle of public ownership [or regulation], of a broad but not too detailed public accountability, of a consciousness on the part of the undertaking that it is working for the nation and not for sectional interests, with the liveliness, initiative, and a considerable degree of the freedom of a quick-moving and progressive business enterprise.<sup>1</sup>

Following upon this, it is obvious that the reason for establishing a particular public corporation will vary with the case. Perhaps implied in this quotation is the employment of the term "public corporation" in order to remove from the government of the day, and hence from partisan pressure, a particular area of concern. This was an important element in the establishment of Canada's first large public endeavor, the C.N.R., as a crown corporation. Public corporations, then, are utilized to ensure a greater degree of responsiveness to the public interest than would be the case under a private enterprise in a particular field of endeavor, as well as to ensure, on the other hand, that a measure of freedom exists from the more partisan forms of political pressures.<sup>2</sup> This type of body proved to

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1. H. (Lord) Morrison, Government and Parliament (London, 3rd ed., 1964), p. 185. A discussion of the advantages of the corporate format for public undertakings is found in V. V. Ramanadham, Problems of Public Enterprise (Chicago, 1959), at p. 23-33.

2. We are here using "political" in the narrow sense as referring to the activities of parties; clearly the policies of these bodies are "political" in that they involve means and priorities. On this point see B. Chapman, The Profession of Government (London, 1959), p. 273-5.

be well suited to the requirements of the expanding positive state as it gradually assumed responsibilities in new areas.

With a firm grasp of the concept of the public corporation in mind, we can now consider possible classification schemes. Two such schema bear referring to: the one set out in the 1951 Financial Administration Act, and another expounded by Professor Hodgetts some three years later. By these dates public corporations were more numerous than at the close of the Thirties; nevertheless we might assess such classification frameworks for their usefulness for our purposes. The scheme appended to the 1951 Act divided governmental corporations on the basis of two criteria: degree of financial independence, and the general nature of their activities. Four schedules were thus devised, bearing the titles "A", "B", "C", and "D" and including respectively the departments proper, "departmental corporations", "agency corporations" and "proprietary corporations".<sup>1</sup> To ascertain the usefulness of this schema, we can employ Table I (page 43). From a perusal of this table it is apparent that six of the eleven public corporations created during the Thirties have not been included within the configuration set out by this Act. Before drawing any conclusions from this discovery, let us assess the utility of the second scheme we have noted - that of Professor Hodgetts. To this end Table II on page 45 will aid us.

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1. R.S.C. (1952) ch. 116, Appendix, p. 2898-9. For the moment we will forego discussion of the new departments proper and concentrate on the non-departmental bodies, i.e. the public corporations.

Table I

Public Corporations Created 1929-1939  
as Classified According to Classification  
Scheme of the 1951 Financial Administration Act<sup>1</sup>

<u>Classification</u>	<u>Total number of members, 1951</u>	<u>Members of category created 1929-1939</u>
Departmental Corporations	10	Director of Soldier Settlement
Agency Corporations	11	National Harbours Board
Proprietary Corporations	12	Canadian Broadcasting Corporation Canadian Farm Loan Board Trans-Canada Air Lines

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Residual: Public corporations created 1929-1939 which are not included in this classification scheme:

Bank of Canada  
 Canadian Pension Commission (1)  
 Canadian Wheat Board  
 National Film Board  
 Board of Transport Commissioners (1)  
 War Veterans Allowance Board (1)

(1) Essentially quasi-judicial agencies.

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1. Per R.S.C. (1952), ch. 116, "An Act to Provide for the Financial Administration of the Government of Canada..." Appendix, p. 2898-9.

This second framework is decidedly more encompassing, and accents the general nature of the enterprise involved in each instance.<sup>1</sup> It categorizes a total of forty-one public corporations, as against only thirty-three in the first classification scheme we considered, on the basis of a four-fold breakdown. (See Table II) This format is able to pigeonhole seven of the eleven bodies we are concerned with, leaving an unaccounted-for residue of four.

Thus, while Professor Hodgetts' classification is more useful than the former one, neither can satisfy a demand for complete categorization. Some comments on this fact will shed light on the nature of the expansion of the public administration. To begin with, neither schema allows for inclusion of what might be termed the quasi-judicial bodies created during the period, namely the Board of Transport Commissioners, the Canadian Pension Commission, and the War Veterans Allowance Board. This was no doubt intentional on the part of the drafters of both classifications, as these three bodies are not deemed to be "public corporations" in the same sense as the ones which have been included. In our terminology this trio is solely regulatory while the classified bodies are participatory - or at least a mixture of both, such as the C.B.C. Both the Bank of Canada and the Canadian Wheat Board have administratively been granted special status and are not under the purview of the Financial Administration Act, and thus not included in the classification drafted for the purposes of this piece of legislation. This point is not relevant in the second scheme

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1. This classification is reprinted in Hodgetts, "The Public Corporation", at p. 188-9.

Table II

Public Corporations Created 1929-1939  
as Classified According to Classification  
Scheme Advanced by Professor Hodgetts - 1954<sup>1</sup>

<u>Classification</u>	<u>Total number of members, 1954</u>	<u>Members of category created 1929-1939</u>
Credit and Financial	5	Canadian Farm Loan Board Bank of Canada
Commodity Trading and Procurement	8	Canadian Wheat Board
Producing and Business	12	National Harbours Board Canadian Broadcasting Corporation Trans-Canada Air Lines
Management and Research	16	Director of Soldier Settlement

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Residual: Public corporations created 1929-1939 which are not included in this classification scheme:

Canadian Pension Commission (1)  
National Film Board  
Board of Transport Commissioners (1)  
War Veterans Allowance Board (1)

(1) Essentially quasi-judicial agencies.

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1. Reprinted: J. E. Hodgetts, "The Public Corporation in Canada", in Hodgetts and Corbett eds Canadian Public Administration, p. 188-9.

and hence these two bodies have been allowed for. The remaining residual item, the National Film Board, is one that virtually defies easy categorization. Clearly a participatory agency, it has the formal status of a government department although it is not included in the listing of departments appended to the 1951 Act. The difficulties encountered in such classification attempts to underscore the ad hoc approach used by the governments of the 1930's in their expansion of the public sector. The public corporations created took the forms they did as a result of pressures of the moment and of the lack of any developed guidelines in this area.

In lieu of the existence of a usable format, we might devise a classification set-up which will not only order our material but which will also show up the nature of the expanding administrative branch of government. Such a schema has been proposed in Table III, (page 47). This classification would seem to suit our purposes better than the two already considered, in that it includes all members of the population and arranges them with an eye to the function of government being undertaken in each instance. The only allocation which appears to be at all questionable is the inclusion of the C.B.C. in the "participatory" category, as the Corporation was given some regulatory powers to go with its operating objectives. The only justification for this decision would be that the operating end looms larger in the running of the body than does the regulating responsibility and further that this latter function was later (1958) deleted from the Corporation's purview and vested in the Board of Broadcast Governors. Our contrived format, then, aims at circumventing the

Table III

Proposed Classification for  
Public Corporations Created 1929-1939

<u>Classification</u>	<u>Members</u>
<u>Essentially Regulatory,</u> i.e. whose main function consists in regulating some aspect of the economy	Bank of Canada  National Harbours Board  Board of Transport Commissioners
<u>Essentially Participatory,</u> i.e. whose main function consists in active parti- cipation in some aspect of the economy	Canadian Broadcasting Corporation  Canadian Farm Loan Board  Canadian Wheat Board  National Film Board  Trans-Canada Air Lines
<u>Essentially concerned with</u> <u>veterans' affairs</u>	Canadian Pension Commission  Director of Soldier Settlement  War Veterans Allowance Board

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Redisual: None.

problems raised by a fine analysis of the legal statuses of the various bodies and at providing us with a starting point from which to further study the agencies of administration and implementation which come into being in the Thirties.<sup>1</sup>

Earlier in this thesis we portrayed at some length the breakdown of organizations and the questioning of traditional techniques and methods that the Depression caused in its wake. We noted some of the new ideas and different solutions that were advocated and came to be accepted in this societal context, and we observed that social factors such as nationalism played their part in shaping the new governmental structure that began to emerge in those years. We then proceeded to paint in broad strokes the picture of the public administration that was concomitantly evolving, and to discuss briefly a number of socio-political issues that these processes raised. We are now in a position to study in greater detail the structural changes in the administrative arm of government, and the factors that led directly to each of them. The public corporations - as we have defined them - will be considered in the order in which they appear in Table III.

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1. This is not to imply that our selected categories are the only possible ones. For instance, although much government action during the period involved use of increased knowledge for collective purposes, a classification of public corporations under a "mobilization of knowledge and culture" reading would encompass the Film Board and the C. B. C. - at least.

The first regulatory body within our concern is the Bank of Canada, perhaps the most important such agency owing to its pervasive influence in the economic life of the country. At the outset of the Depression the leaders of the two old parties praised the existing credit and financial set-up as adequate but as the years moved on the severity and nature of the disequilibrium became apparent and the inadequacies of the system more obvious. The existing organizations were not functioning to restore equilibrium, and some were virtually not functioning at all. New concepts were advanced by the C.C.F. and the Social Crediters which found receptive audiences in some parts of the country, particularly the Prairies. Such thinking involved as a common thread tighter governmental control of the nation's credit and financial system, and it was finding support in some academic circles.<sup>1</sup> By early 1933, the opposition Liberal party began adopting unequivocal stands on the whole issue; King said in the House in February of that year that "[t]he Liberal party believes that credit is a public matter" and that his party "stands for immediate establishment of a properly-constituted national central bank."<sup>2</sup> The founding of a central bank was becoming a political necessity that could only be ignored at the government's peril. Accordingly, the MacMillan Commission (formally The Royal Commission on Banking and Currency in Canada) was directed to inquire into "the advisability of establishing

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1. See for instance "The Proposal for a Central Bank", Queen's Quarterly (August, 1933), p.

2. House of Commons Debates, 1933, p. 2511.

a Central Banking Institution."<sup>1</sup> The Report of this commission opted for a privately-owned central bank obviously modelled on the venerable Bank of England, in the face of strong opposition to a private institution on the part of many of those submitting briefs.<sup>2</sup> The Liberals, back in office by 1936, nationalized the Bank but left other aspects of the enabling statute untouched: the Bank of Canada remained relatively free of day-to-day pressures from Parliament and even from the government in power; it was granted an even greater degree of "independence", financially and administratively, than had the C.N.R. so as to enable the Bank to "regulate credit and currency in the best interests of the economic life of the nation..."<sup>3</sup> The question of the relations of the Bank to the government of the day was not to receive much further attention until the celebrated Coyne affair some three decades later. During these latter years, the Bank came to play a central role in the maintenance of economic stability in Canada - akin to the functioning of central banks in several European nations. Moreover the realization of economic integration of the regions of Canada depends to some extent upon the Bank and its operations.

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1. Order in Council P.C. 1562, July 31, 1933.

2. The Liberals, and of course the C.C.F., were sharply opposed to this aspect of the Commission's recommendations, but Bennett was unmoved.

3. Preamble to the Bank of Canada Act, 1934 (since unchanged).

The Bank of Canada is a good example of a public corporation which fits well the conceptual framework which we have been postulating. Both the functioning, and the confidence held by many Canadians in the functioning, of Canada's financial markets had broken down. The idea of a central bank as a remedy to this disequilibrium was advanced and met with strong approval. The government had responded and had set up a central bank. This was perhaps the first major step towards involving the government as regulator of a wide area of affairs which previously been free of such concern and control; many others followed. Not absent from the agitation for a central bank was the renascent nationalism which we have noted (the Bank would be responsible for managing the external position of the Canadian dollar, and for ameliorating disturbances that might ensue from international capital flows); the right to own shares in the original private body was limited to Canadians. Thus the Bank can be seen as an important step in the evolution of the positive state during the Thirties - not a wildly radical step (such institutions already existed in a number of countries in the Western world) but one which underscored the changing conceptions of Canadians and their spokesmen regarding the role of the public sector in society.<sup>1</sup>

2. The establishment of the National Harbours Board may best be viewed not primarily as an anti-Depression move but rather

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1. The definitive study of this public corporation remains E. P. Neufeld, Bank of Canada Operations and Policy (Toronto, 1958).

as being in line with the desire - particularly strong in Bennett, as we have noted,<sup>1</sup> but not absent in King - to reorganize and consolidate various aspects of the federal administration which appeared to need it. With regard to the harbours the time for action was demonstrably at hand: the precipitous decline in export-import trade had seriously hurt shipping and the handling of goods. Thus the Bennett government appointed Sir Alexander Gibb, a prominent British engineer, as a one-man commission to investigate the situation of the several major Canadian harbours and to recommend appropriate measures.

Ever since Confederation supervision of harbours had vacillated between a large degree of local autonomy and a weak central (i.e. from Ottawa) control. Gibb stated that this situation had been characterized by large dosages of patronage at the local level as well as loose financial administration and a decided lack of inter-harbour coordination. His report saw these problems and characteristics as being ameliorated by the establishment of a central harbours board manned by members chosen for their expertise in relevant fields.<sup>2</sup> The recommended agency came close to being stillborn: Bennett succumbed to partisan pressures in the House as well as from local port groups and did not obtain passage of the necessary enacting legislation. However, with the return to power of the Liberals after the 1935 election a young man appeared on the Ottawa scene who was to emerge in later

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1. See p. 21-2 above.

2. This report is discussed in C. A. Ashley and R.G.H. Smalls Canadian Crown Corporations (Toronto, 1965), p. 201-3.

years as perhaps the foremost champion of governmental regulation and rational organization. This newly-appointed minister, C.D. Howe, demonstrated the determined approach that was to become his trademark by ramming through the enabling act of the National Harbours Board.<sup>1</sup>

This 1936 statute "rationalized" the administration of nine of Canada's leading ports. Most control was centralized in Ottawa, with centrally-appointed administrators in charge of each of the harbours under the act's purview. The move was aimed at viewing the running of the country's most important harbours as a national concern, not to be left in local hands to the detriment of wider interests; the Board is a good example of a regulatory agency in congruence with the widening regulatory perspective assumed by the public authorities in those early days of the positive state philosophy. The setting up of this agency was an effect of reassessing the whole question of transportation, a vital aspect of the Canadian economy and one which was severely distressed by the Depression. The scope and functioning of the Board has remained essentially unchanged down to the present day; the basic aim is a national rationalization of harbour usage which seeks to allow for the needs of all sectors of the economy.

3. Public concern with rail shipping rates originated at the time of Confederation, a reflection of the overriding dominance

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1. The passage of this legislation through the House is traced by Howe's biographer L. Roberts in C.D.: The Life and Times of Clarence Decatur Howe (Toronto. 1957), p. 25-31.

of railroads in the transportation sector of the economy. The Board of Transport Commissioners for Canada, the successor to the Board of Railway Commissioners, was set up in 1938 and given responsibilities somewhat broader than those exercised by its predecessor. The Board was charged with approving rates charged by the railways to shippers on this media and with the regulation of rates on ships on "certain inland waterways".<sup>1</sup> Thus its constituency of interested parties includes many of the nation's leading business concerns, as transportation costs are to most of them a vital part of operating expenses.<sup>2</sup>

While the Board is clearly a regulatory body in the broadest sense of the term, deeper analysis of its powers shows it to be the type of offspring of the positive state thinking that gave rise to some of the legal-political issues to which we have alluded.<sup>3</sup> The Board has judicial trappings, in that "it will hear disputes between a railway and its customers and decide on the facts in accordance with rules laid down by Parliament."; others of its decisions take on a more quasi-judicial cloaking.<sup>4</sup> As well, some of the Board's

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1. Organization of the Government of Canada (Queen's Printer, 1966 ed), p. 314.

2. For more on the Board's functioning see A. W. Currie, "The Board of Transport Commissioners as an Administrative Body" in Hodgetts and Corbett Canadian Public Administration, p. 222-239.

3. See p. 35-7 above.

4. Dawson, Government of Canada, p. 294. Certain of the Board's rulings are appealable to the Supreme Court: p. 428.

issuances appear to be legislative enactments in nature.<sup>1</sup> The Board, then, serves well to illustrate the complexity of governmental regulation and control that was necessitated by the expanded role of the state, and is another body set up to further nation-wide economic integration, by allowing all concerned interests a chance to be heard on the topic of rail rates and related matters.

Both of the boards we have been considering are structurally much alike. The members of both are appointed by the Governor in Council and have tenure of office; neither of them has a large staff, although that of the Board of Transport Commissioners is larger. Neither has the financial and internal administrative independence of proprietary corporations, as defined by the Financial Administration Act; they are not "operating" bodies in the sense of the Bank of Canada. Both boards have head offices in Ottawa and maintain branches across the country.

Quite distinct from these are those public corporations in the second broad category which derive their origin from the Thirties. These essentially participatory bodies are five in number, as Table III (page 47) shows, and share the primary role of participants in rather than outside controllers and regulators of the Canadian economy. As we have seen, the participatory role accorded with changing notions

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1. J. A. Corry and J. E. Hodgetts, Democratic Government and Politics (Toronto, 3rd ed, 1959), p. 529. Much the same holds for the parallel American agency whose powers were greatly expanded during the 1930's, the Interstate Commerce Commission.

of the role of government and was spurred by several specific factors.

4. Two of these factors were, first, Canadian nationalism and second, an articulated philosophy of public ownership of what was intended for public consumption. These underlay the expanded national role of the public sector evidenced in the establishment of the Canadian Radio Broadcasting Commission in 1932, the forerunner of the C.B.C.<sup>1</sup> Commenting in the House on the bill setting up the Commission - which had been based upon the recommendations of a Royal Commission - Prime Minister Bennett stated: "...No other scheme than that of public ownership can ensure to the people of this country... equal enjoyment of the benefit and pleasure of radio broadcasting."<sup>2</sup> Almost all members of the House supported the founding of the Commission; rarely has such virtual unanimity characterised broadcasting affairs. The honeymoon was, however, shortlived: criticism of several aspects of its operation was soon directed at the new body from many quarters - not the least heard of these criticisms concerned the Commission's "closeness" to the government of the day.<sup>3</sup>

The C.B.C. was established to replace the Radio Broadcasting Commission in 1936 and was based essentially on the report of a special house committee set up in response to the outcry noted. The

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1. The whole exciting story of Canadian broadcasting from its earliest times is told at length in a readable manner by E. A. Weir in The Struggle for National Broadcasting in Canada (Toronto, 1965).

2. House of Commons Debates, 1932-3, p. 1885.

3. This opposition is documented by Weir, Struggle, p. 149-160 in particular.

Corporation combined regulatory and participatory powers (the former of which was removed from its purview with the founding of the Board of Broadcast Governors in 1958). It had responsibility for reviewing the activities of private stations, as well as a directive to set up a string of radio outlets across the country and authority to originate a wide variety of programs and ensure their transmission. This step added broadcasting to the dual or mixed portion of the economy, which already included railroading: i.e. that portion where privately-owned enterprises compete under regulated conditions with publicly-owned enterprises.<sup>1</sup>

As had been attempted in relation to the C.N.R. with mixed success, so in relation to the C.B.C. an effort was made to use the device of incorporation in order to set at some remove from the demands of political partisans those persons who had been charged with operating and administering a fairly complex undertaking.<sup>2</sup> Clearly a body with such extensive access to the air waves could have immense partisan political possibilities; the employment of the corporate structure, with a part-time board of directors mediating between management and Parliament, was aimed at minimizing the realization

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1. Hodgetts, "The Public Corporation", p. 186-7. Air Transport was added in 1937.

2. Hodgetts sees political neutrality as the factor deciding in favour of the corporate format: "The Public Corporation", p. 192. Most governments since have not interfered with the internal management of the Corporation. See Ashley and Smalls, Crown Corporations, p. 130-1.

of such possibilities by the government of the day. Only time would tell if an appropriate balance had been established between two opposing pulls: on the one hand, the facade of independence behind which the current administration can possibly control affairs, and, on the other hand, the maintenance of responsible government with the existence of a body sufficiently independent to go against the government's will.<sup>1</sup>

While scarcely an anti-Depression move,

...the development of public control over the airwaves was symptomatic of the new sense of national purpose that had grown with wide-spread discussion of the problems thrown up by the economic crisis.<sup>2</sup>

The question of whether or not government should be involved at all in this area was hardly raised; large sectors of articulated public opinion in fact opted for a B.B.C.-type operation.<sup>3</sup> A Canadian flavour was sought for the airwaves and a public corporation was utilized to this end. By this move the federal government became the leading actor on the broadcasting stage, a vital and influential area of Canadian society. The C.B.C. has evolved to be the leading outlet for Canadian talent in a wide variety of fields, and has served a vital integrating role in a country as diverse as Canada.

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1. This issue is discussed with focus on the C.B.C. and the Bank of Canada in L. D. Musolf, Public Ownership and Accountability - The Canadian Experience (Cambridge, 1959), p. 57-62 and 65-7.

2. McNaught, "1930's", p. 246.

3. Roberts, The Life and Times, p. 32-3.

The Corporation seeks to reflect the changing times while at the same time attempting to underscore that which is vital in our culture - a role which is fraught with possibilities for controversy, something which the C.B.C. has experienced its share of.

5. The Canadian Farm Loan Board was actually established by statute in 1927, although its operations really only moved into high gear during the Thirties and the Board was reorganized in 1935. Changes were made once again, in 1944 in line with the war effort, and the agency was superceded by the Farm Credit Corporation during the Diefenbaker administration.

Many farmers, particularly in the wheat belt, were heavily mortgaged at the dawn of the Depression and as the economic crisis worsened and chartered banks began foreclosing on mortgages which they held, the financial plight of these farmers reached disastrous proportions. The broad aim of the Loan Board was to ameliorate these conditions, for example by seeking to arrange for extended loan periods and by making loans under specified terms.<sup>1</sup> The set-up of the board of directors of the corporation attempted to ensure a close cooperation between the government of the day and the corporation by including the Minister of Finance as the chairman of the board, the only time such an experiment has been tried in Canada.<sup>2</sup> After eight

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1. Hodgetts classifies the Loan Board as a "credit and financial" agency. See p. 47 above.

2. Note, however, that deputy ministers and sometimes other departmental representatives do sit on the boards of several public corporations. Musolf, Public Ownership, p. 93.

years the innovation was dropped and the deputy minister of Finance was given a seat on the same board in place of the minister; the reasons given for the alteration in 1935 included pressure on the minister's time and the embarrassing possibility of the minister being outvoted by the other members of the board.<sup>1</sup> Nonetheless, the Loan Board never has acquired the relative independence granted other public corporations such as the Bank of Canada and the C.B.C.<sup>2</sup> The corporate format was, however, chosen to achieve some degree of political neutrality.

The economic plight of the farmers called for action and assistance of some sort; the government responded by utilizing the Farm Loan Board, among other agencies. The problems of the region primarily involved (i.e. the Prairies) were thus implicitly viewed as being national in nature and open to positive action on the part of the federal government. Because of the technical-legal requirements of the mortgages, and the need to assess each case on its own merits, the vehicle of a public corporation proved itself to be well suited to the task. The Board functioned in its original vein until it was superceded in 1959 by the somewhat broader Farm Credit Corporation.

6. The Canadian Wheat Board serves well to illustrate the ad hoc nature of a number of the steps taken by successive governments during the Thirties. When the Act founding the Board was passed in 1935 it was seen by the House as a measure aimed at rectifying "what

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1. Musolf, Public Ownership, p. 95, 96.

2. For instance, the tenure of board members was fixed by the Governor in Council.

was thought to be a temporary emergency resulting from the depression."<sup>1</sup> However the agency, which at first handled wheat only and on a voluntary basis, was during the second world war given the authority to be the sole marketing agent for western Canadian wheat; the authority was broadened in the post-war era to cover other grains on the same basis.<sup>2</sup> Today the corporation has become a very important one in terms of dollar value of grains handled and it would be impolitic to do away with it and unrealistic to deem it a "temporary expedient".

The Wheat Board performs essentially participatory functions but with regulatory overtones. It serves to illustrate the willingness of the governments of the day to interfere with the operation of the free market and thus to seek to effect a more remunerative return to western farmers.<sup>3</sup> The Board, in a series of operations often requiring agricultural and economic expertise, buys, stores, transfers and disposes of all grains under its purview that are harvested within designated areas of Canada.<sup>4</sup> Advisory boards, consisting of producers' representatives and others, have been appointed to advise the

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1. Ashley and Smails, Crown Corporations, p. 170.

2. Organization of the Government of Canada, p. 118.

3. Corry and Hodgetts, Democratic Government, p. 126-7. Such interference with free market pricing is today widespread in the Western World and encompasses numerous commodities.

4. The Board's functioning is described in a step-by-step manner in Canada Year Book: - 1966 (Ottawa, 1966), p. 886.

corporation regarding certain facets of its work; similar advisory bodies have been attached to a number of other public corporations.

The national economic importance of the efficient disposal of western wheat was implicitly acknowledged by the creation of the Canadian Wheat Board. Perhaps more than any other agency the Board was set up as an antidote to the ills of the economy brought on by the Depression; the employment of the corporate format once again aimed at realizing a rational basis for the handling of grains, for example in the setting of wheat price returns to the producer in a manner that was free of the effects of partisan political fortunes on the Prairies. A public corporation was established to play the key role in an area where previously there had been little public participation save the granting of occasional subsidies: the Board could not only fix finally the prices it would pay for the various grades of wheat (and later other grains) but could also issue binding regulations governing virtually all aspects of grain handling. This is very "positive" state action, indeed, and action that, once taken - even on a "temporary" basis, would be virtually impossible to undo. The Board has come to assume a vital role in the agricultural sector of the economy.

7. Though not in any sense an anti-Depression move, the National Film Board was created in 1939, and was expanded two years later to encompass virtually all governmental film activities and the activities and the Exhibits and Publicity Bureau which had previously been part of the Department of Trade and Commerce. In 1950 the functions and objectives of the Board were considerably

broadened, to include for instance the origination of motion pictures on a much wider scale than before.

Established partly from a desire to reorganize and centralize in one location the various activities noted above, the creation of the Film Board also sought to give a national tone and identity to the material being produced according to the Board's terms of reference - an important purpose for a nation at war. In an effort to achieve this goal, the Board of Governors consists of four members from the public service and five selected from outside of this circle.<sup>1</sup> The National Film Board is formally a departmental body but would as well qualify for formal crown corporation status as some examples of those bodies possessing the latter.<sup>2</sup> This retention of departmental status in a body that is clearly a public corporation in essence (and indeed parallel to the C.B.C. in many respects) points up once again the casual basis of adding new branches to the public sector. Down to the present day this anomaly has avoided rectification, even in face of agitation for change.<sup>3</sup> Although chronologically within our period of consideration, the Film Board actually began to function in earnest only during the war years.

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1. Organization of the Government of Canada, p. 234.

2. Ashley and Smails, Crown Corporations, p. 104. The authors see this as applying to several other agencies as well.

3. Taylor Cole, The Canadian Bureaucracy - 1939-1947 (Durham, 1949), p. 49.

8. A decision by the Privy Council in 1932 confirmed federal jurisdiction over the airlines and opened the way for federal action in this field.<sup>1</sup> Airline service, involving the transportation of passengers, freight and the mails, had become big business in the United States by this time, and some American firms were making overtures in the direction of stepping up operations in Canada. Domestically, numerous enterprises had attempted to build up viable air service businesses; most had ended in bankruptcy owing to lack of financing and the sparse Canadian population spread over vast distances. Here was an economic field that obviously had a good future, the Depression notwithstanding, but it was one which required large initial capital outlays and an adequate supply of working capital if it was to be successfully exploited.

Government participation emerged as a sensible move, especially after successful public endeavours in the fields of railroading and broadcasting. Following a short-lived foray into this transportation area by the Bennett administration,<sup>2</sup> Liberal Minister Howe sponsored the bill which set up Trans-Canada Air Lines in 1937. The enabling legislation allowed for participation in the endeavour by private firms as long as the government retained a majority interest

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1. This ruling upheld the 1927 Aeronautics Act, which asserted federal control in this area.

2. Which saw the government-owned C.N.R. join with the C.P.R. to sponsor a few inter-urban air routes. The government withdrew support after a short period, ending the scheme.

but such participation was not forthcoming and T.C.A. remained wholly government-owned.<sup>1</sup> The corporation operated within the mixed-economy framework we noted in connection with broadcasting; no public legal monopoly was envisaged by the statute.

The motive behind government action was primarily to ensure an orderly development of the airline business, to avoid the fiascos that had accompanied railroad expansion several decades earlier: excessive duplication of lines, cutthroat competition that only led to numerous bankruptcies and the resulting wastage of scarce capital.<sup>2</sup> The corporate format was utilized to establish a body which would be able to secure the services of competent businessmen with experience in the transportation fields and then allow them to nurture the new enterprise along the general lines envisaged by the legislation but without interference based on narrower and more immediate partisan needs.

The establishment of T.C.A. carried a step further the participatory side of the emerging positive state. The move was certainly spurred in part by the nationalism of the decade, and showed the continuing tendency to experiment with various forms of endeavour in an effort to arrive at the one most suitable for the undertaking

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1. D. C. Corbett, Politics and the Airlines (Toronto, 1965), p. 106-112. The Liberals had officially supported private ownership of the national airline, but ended up with a publicly-owned body after failing to entice some firms, mainly the C.P.R., to join in the venture.

2. See Musolf, Public Ownership, p. 6, 13; Corbett, Politics and the Airlines, p. 108ff.

at hand. National airlines were not new at the time of the creation of T.C.A. (they already existed, for example, in several European countries) and the need for them is today strongly felt by many of the emerging nations of Asia and Africa. While national airlines are viewed partly as a "badge" of nationhood, experience shows that they do play an important part in the physical integration of their country and in the tying in of their country with other areas of the world.

9. The three bodies listed in Table III (page 47) under the classification of "essentially concerned with veterans' affairs", viz. Canadian Pension Commission, Director of Soldier Settlement (a corporate "sole", i.e. a one-man body) and War Veterans Allowance Board, are only anti-Depression measures insofar as they acknowledged public responsibility to seek improved treatment of returned servicemen - many of whom were hard hit in the Thirties due to physical incapacities and advancing age, conditions which were made worse by the existing severe unemployment. The Director of Soldier Settlement is a corporation "only for the purpose of acquiring and transferring property"<sup>1</sup> which, as its name implies, is its prime function. The other two bodies concerned with Veterans cannot be said to be either regulatory or participatory in nature. Narrow in scope, they are essentially quasi-judicial, i.e. they are required to rule upon individual cases as to whether or not they comply with the regulations set out by the government regarding eligibility for payments (either

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1. Ashley and Smalls, Crown Corporations, p. 100.

pensions or various allowances). None of the three bodies mentioned has sizable staffs, and we shall not be much concerned with them in this study.

10. The years of the Depression saw much attention focused upon the largest pre-1930's public corporation, the C.N.R. The economic distress had played havoc with the railroad business, and the Duff Commission on Transportation<sup>1</sup> recommended a "rationalization" of rail transport, including more extensive cooperation and pooling of services between the C.N.R. and the C.P.R. A later (1938) Senate committee came out in favour of amalgamation of the two competitors, but by this date attention was shifting to the imminent war and the recommendations were shelved.<sup>2</sup> Neither Bennett nor King would buy a total merger; instead they opted for the mixed-economy situation in rail transportation as they had done in broadcasting and air transport. The C.N.R. at the depth of the Depression was placed by Bennett under trusteeship, but this condition was removed by King when economic activity returned to more normal levels in the late Thirties.<sup>3</sup> The close of the decade saw somewhat closer inter-railway cooperation than had previously existed but left the public/private

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1. See p. 22-3 above. The directive to this Royal Commission ordered it to delve into all facets of transportation, but its main concern was with the railroads.

2. R. Graham, Arthur Meighen, Vol. III: No Surrender (Toronto, 1965), p. 43.

3. Roberts, The Life and Times, p. 36-8.

state of the rail transport business unchanged.

11. In addition to the public corporations we have been considering, two departments of government were created in the Thirties: the Department of Fisheries and the Department of Transport.<sup>1</sup> These two moves were not unrelated, and were in the line of reorganization of the federal government that occurred in these years. The functions allocated to the new Department of Fisheries were sliced off from a department that had existed since Confederation, that of Marine and Fisheries; the Department is still functioning and is responsible for the administration of, among other things, the numerous fishing treaties that Canada is a signatory to. The remainder of the responsibilities of the Marine and Fisheries Department, all of those of the Department of Railways and Canals and the Civil Aviation Branch of the Defence Department were collected in 1936 into a Department of Transport, a move aimed at centralizing and rationalizing the federal government's concern with transportation: the step is in line with the other changes in the public sector involving this field which we have discussed. Both of these departments have remained virtually as constituted down to the present day.<sup>2</sup>

Much the greater part of the alterations in, and additions to,

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1. Several departments were amalgamated into the Department of Mines and Resources in 1936, but we will omit further consideration of this new body as it was shortly to be re-divided into two and then three separate departments.

2. For descriptions of these two departments as they exist today, see Organization of the Government of Canada, p. 185-8 (Fisheries) and p. 304-11 (Transport).

the federal public administration during the Thirties stemmed from expansion of what we have termed the "regulatory" and "participatory" sides of government. But some reorganization and enlargement of the administrative arm of government occurred as a result of "welfare" undertakings; while such changes are more difficult to pinpoint - many were of a temporary nature - they are indicative of the innovative thinking of the period. In Canada, the crystallization of the "welfare state" we know today<sup>1</sup> was essentially a post World War II phenomenon but some of the early efforts in this direction were a product of a re-thinking of positions on these matters spurred by the economic distress of the Depression years.

Industrialization featuring large-scale enterprises, and the revolutions in transportation and communications made the economic problems national in scope. "Sudden and widespread distress caught Canadian governments totally unprepared."<sup>2</sup> The administrative machinery then existing could not cope with the pressure of relief and general welfare demands exerted upon it - a fact equally applicable to all levels of government. Hurried additions were made to the governmental machine - especially at the provincial level. Several federal departments took on broadened and more extensive duties, notably Finance,

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1. For a short summary see A. Raynauld, The Canadian Economic System Trans. by C. M. Ross (Toronto, 1967) ch. 13 "Social Security".

2. Grauer, Public Assistance, p. 10.

Labour and Agriculture.<sup>1</sup> Ottawa's concern was primarily financial, and involved increased payments for programs which were administered by the provinces. None of the public corporations we have so far examined were primarily welfare-oriented; the closest the federal government came to establishing such an agency was to look at the proposal advanced by King while in opposition for a "Representative National Commission" which would cooperate with the provinces in unemployment relief and similar undertakings.<sup>2</sup> The notion was apparently dropped by King when he returned to office in 1935; the concept could, however, be seen as the harbinger of the Unemployment Insurance Commission which was subsequently established in 1941.

The administration of the various welfare schemes which were introduced did not require much addition to staff at the federal level. A good deal of the work entailed the recording and accounting for the relief payments made to the provinces. The work camps set up by Bennett shortly after he assumed office were managed almost entirely by various corps of the army regular staff; much of the actual administrative work was done by the men who were employed at the camps.<sup>3</sup> A series of measures designed to spur housing construction, initiated in 1935 and expanded upon in 1938, involved

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1. Grauer, Public Assistance, p. 81. This study documents the expansion of provincial administrative machinery in this field which occurred in the 1930's; see p. 81ff.

2. N. M. Rogers, Mackenzie King (Toronto, 1935), p. 129.

3. Watkins, R. B. Bennett, p. 186-7.

primarily the disbursement of a number of grant and loan schemes and these were administered by the Department of Finance.<sup>1</sup> All in all, the welfare schemes called forth by the economic distress and the evolving attitudes in response to this distress resulted directly in very little net expansion of the bureaucracy proper, and in no new public corporations that would fall into what we could term a "welfare agency" classification. Part of the explanation for this state of affairs lies in the relatively gradual conversion of the two Prime Ministers of the decade to a welfare state philosophy, however much they might have accepted a markedly more positive regulatory and participatory role for the public sector. Part of the explanation also lies in the constitutional split of responsibilities between the various levels of government, a matter to which we have devoted some attention in chapter II.

Notwithstanding the heightened, and sometimes dire, financial straits of the several provinces during these years, "(m)ost of this important and growing field of government activity i.e. welfare still remained, in theory at least, a financial responsibility of the province, all through the depression."<sup>2</sup> The 1937 batch of Privy Council rulings on Bennett's "new deal" legislation ensured this.

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1. F. B. Aubrey, "Public Housing and the Governments - the Federal Interest", in Urban Renewal and Public Housing in Canada (1967) (C.M.H.C. periodical), p. 7. These measures were forerunners of the National Housing Act of 1944.

2. W. Eggleston, The Road to Nationhood - A Chronicle of Dominion-Provincial Relations (Toronto, 1946), p. 68.

If these decisions had come down in favour of Ottawa, King returning to office in 1935 might well have been saddled with a series of new programs necessitating some additions to the federal public administration. Putting the actual rulings aside for the moment, we could agree that

[t]here are strong administrative and fiscal reasons why the legal jurisdiction over social services should be transferred to the Dominion.<sup>1</sup>

Some of these reasons might be suggested. Administrative advantages to Dominion jurisdiction would include: (i) efficient coordination of all programs on a national level; (ii) financial economy via the elimination of ten separate administrations; (iii) elimination of inter-provincial variations in level and type of service. The most obvious fiscal reason auguring for Ottawa jurisdiction is the considerably broader federal taxation base. This makes interesting theorizing, but the fact remained that the provinces held, and jealously guarded, the right to act in these areas. This remains true down to the present, although various large-scale grant schemes and "opting-out" arrangements have heavily involved the federal government in these financial areas - with the provinces retaining most of the actual operation of disbursing moneys.

We have traced in some detail, to this point, the expansion of the federal public administration during the Thirties, building upon the background whose framework we established in earlier chapters. By the year 1939, the federal government was unequivocally involved in a wide variety of areas of control and fields of endeavour

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1. Rogers, Mackenzie King, p. 200.

which ten years previously it had shown little or no interest in. Although lying outside our scope of concern, the provinces were by the same date exhibiting many characteristics of the positive state.<sup>1</sup> Government was now clearly accepted as a positive force within society; many subsequent new programs would utilize the attitudes and experiments developed during the decade under review. In fact, under the impact of the 1939-1945 war, the later programs proved to be of such explosive significance as to expand the federal government to dimensions unpredictable when the war broke out. This expansion was accomplished with little fanfare: Canadian society, and in particular the public sector, enriched by the experience of the Thirties, was "ready" to build upon this during the war and into the post-war era.

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1. Professor Corry notes that by this date provincial governments were involved in operating liquor and some telephone and electric utility monopolies, and supervising the issuance of securities and the distribution of water and gas, as well as administering a fairly wide variety of social service programs. "The Genesis", p. xxvff.

IV: The Public Administration: Management and Control of  
the Bureaucracy

Having traced the development of the major structural appendages constructed within the public administration during the Thirties, and having raised briefly some of the broader legal-political issues that arose in the wake of this development, we are now in a position to analyse the administrative arm of government as an operating entity and in so doing to focus greater attention than we have thus far done on the core "bureaucracy", viz. the departments themselves. To guide us we might pose several questions, the answers to which will take us some way toward understanding the changes that occurred in the internal management and control of this burgeoning branch of the public sector. What changes took place in the realms of financial and personnel administration, and why did they occur? What was the immediate, and also the long run, significance of such changes? How did the position of the public servant evolve, and how was he affected by the new thinking that characterized the decade? How was the matter of control by the executive over the administrative branch faced and dealt with? To the answers to these questions and others this chapter is directed.

Surveying the period of the first war and its aftermath, Professor Dawson wrote in 1929:

The sphere of government has been enormously extended at unusual speed, with the result that the civil servants have grown in number and their work has become more and

more technical and specialized.

And moreover:

With the increased importance and complexity of the service has come a greater public dependence on it.<sup>1</sup>

How much greater was the relevance of these comments ten years later, with the very marked expansion of the public sector which we have been following. The great majority of civil servants referred to would have been employed in the formal departments of governments, most of which departments had been in existence since the early years of the Confederation; these views assumed much increased validity with the advent of "public corporation" government. Further, the war-time and post-war expansion of the positive state certainly did not undermine or contradict such thinking. These observations only serve to underscore the importance of the matters we are now delving into.

Perhaps one of the key legacies of Bennett's term of office, and one that is not often brought to light, was his "discovery and use of the knowledge and ability of the civil service."<sup>2</sup> We could hypothesize that this reflects the man's (very successful) business career and the experience he had gained from it: the ability to set a specific objective and then delegate to competent staff the responsibility to get on with the job as outlined. It would not be going too far to suggest that C. D. Howe (the businessman par excellence in government) was imbued with the same ability, and operated

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1. Dawson, Civil Service, p. 124-5.

2. Brebner, Canada, p. 456.

with some of the same notions. It was not a long step from this to the actual delegation of much of the responsibility to set certain objectives as well; this was a part of the philosophy underlying the use of the public corporation concept.<sup>1</sup>

But the employment of competent civil servants in this respect was not well coordinated; this era of transition was characterized by lines of authority and channels of information flow that were in a state of flux. The office of the Prime Minister (i.e. the staff of this office for example) had come down virtually unchanged from an easier day.<sup>2</sup> It normally consisted of a handful of secretarial and stenographic aides and perhaps, on a part-time basis, an aspiring young Member of Parliament. The same held true for the Privy Council office, which was in effect the secretariat of the Cabinet. The staffs of these two bodies were interchangeable and most of the time they overlapped to a large extent. The pressures exerted by the marked expansion of government resulted in some expansion of these staffs during the Thirties, but it was not until 1938 that a "Principal Secretary" was appointed in the Prime Minister's office.<sup>3</sup>

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1. On this issue, see J. E. Hodgetts, "The Civil Service and Policy Formulation", in Hodgetts and Corbett eds Canadian Public Administration, p. 438-51.

2. Watkins, R. B. Bennett, p. 168-9.

3. W. E. D. Halliday, "The Privy Council Office and Cabinet Secretariat", in Hodgetts and Corbett eds Canadian Public Administration, p. 114.

The Cabinet itself by the late 1930's was beginning to reorganize itself to deal competently with the ever-growing volume of business before it: several sub-committees of Cabinet were formed in 1938-9.<sup>1</sup> But the second war provided the strong impetus that was necessary to fully streamline the Cabinet and the functioning of its staffs.<sup>2</sup> The need for competent advisory staff was acknowledged by both King and Bennett, as an interesting side-light shows. Just prior to his election defeat, Bennett proposed the establishment of an "economic council" to be attached to the Prime Minister's office; the idea never materialized as envisaged but it was no doubt the conceptual forerunner of the present-day Economic Council of Canada. Commenting in the House on the idea, King agreed that there exists "need in connection with the Prime Minister's office of provision for more effective advisory assistance...."<sup>3</sup> In this area as well, the war provided the impetus to innovation and development.

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1. A. D. P. Heeney, "Cabinet Government in Canada: Some Recent Developments in the Machinery of the Central Executive", C.J.E.P.S. (August, 1964), p. 286-7.

2. On this important period in the evolution of the Canadian political executive, see the works cited in the above two footnotes, and also W. E. D. Halliday, "The Executive of the Government of Canada", Canadian Public Administration (December, 1959), p. 229-41 and A. D. P. Heeney, "Mackenzie King and the Cabinet Secretariat", C.J.E.P.S. (September, 1967), p. 366-75, particularly this latter article.

3. House of Commons Debates, 1935, p. 1797.

An increased concern on the part of the government of the day and on the part of Parliament with financial control had arisen out of the sharply stepped up expenditures necessitated by the first war, in contrast with the rather "carefree" attitudes that had existed.<sup>1</sup> Such concern was likewise aroused by the increased outlays of the Thirties, which were initially primarily anti-Depression items of expense. Total federal government expenditures, including current and capital outlays, stood at \$388 million in fiscal 1929. By 1933 the figure had jumped to \$532 million, inflated by the various anti-depression programs of the Bennett administration. The total levelled off to around \$475 million by the middle of the decade and then rose gradually to reach \$553 million in fiscal 1939. These figures<sup>2</sup> include all loans and advances to the various public corporations, and write-offs of operating losses incurred by these bodies. Further, millions of dollars were spent by the executive under blanket authority covering relief expenditures, with little Parliamentary voice and without any effective audit.<sup>3</sup> Further, as

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1. See N. Ward, The Public Purse: A Study in Canadian Democracy (Toronto, 1961), p. 161.

2. Canada Year Book (1940), p. 836-9.

3. Rogers, Mackenzie King, p. 166-7. Norman Ward laments the fact that the House Public Accounts Committee was not very active during this period: The Public Purse, p. 171ff.

Bennett discovered when he assumed office,<sup>1</sup> what executive financial control over expenditures that did exist was far from stringent. Most of the departments spent moneys under the letters of credit system, which had been the accepted way since prior to Confederation. Under this set-up, the departments ran up expenditures against letters of credit which were normally deposited with banks. Once the charge had been made, the government was reluctant not to honour the obligation and pay the bill - even if the amount exceeded the Parliamentary appropriation for that particular department. The Auditor-General, for his part, dutifully reported all expenditures beyond appropriations (and any other "invalid" outlays) but his annual report to Parliament was usually ignored or shelved by that body. On his own, this officer could do little to effect an improvement in the situation. Although he at one time had control of issuance (i.e. approval of outlays before they were made), the growth of government with concomitant increase in the volume of expense transactions had long since effectively required the delegation of this responsibility to the departments, which led to the situation we described above. As well, the staff of the Auditor-General was wholly inadequate for a competent handling of the task at hand. As if to render the system even more inscrutable, most departments maintained their own books, often with unique accounting methods. While the executive did at least have the power and responsibility of preparing and submitting to Parliament the annual budget, once this

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1. A possibly apocryphal story has it that the new Prime Minister asked for a statement of current government cash balances; it took six months to be produced!

document was assented to the government of the day exercised little more financial control than did the House of Commons itself.<sup>1</sup>

Needless to say, such a set-up was not to the liking of a man with Bennett's business acumen and interest in organizational efficiency. He studied the existing machinery, sought the advice of knowledgeable advisors, and then set about revising the whole financial administration procedures. The result was the Consolidated Revenue and Audit Act of 1931: perhaps the legislative milestone in this area of concern. The Act stood unchanged until 1951, and even this superceding act twenty years later left most of its basic provisions unchanged. The 1931 legislation was in line with the Prime Minister's way of thinking; it proposed a practical and rational solution for a functional defect in governmental administration. New techniques would be tried where old ones had failed to do the job under changing circumstances.<sup>2</sup>

The Act abolished the "bugaboo" letters of credit format and instituted in its place a centralized accounting system under a new official, the Comptroller of the Treasury. This officer was vested

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1. A more extensive elaboration of the pre-1930 set-up can be found in Ward, The Public Purse, *passim*; shorter treatments of various aspects of the system are: H. R. Balls, "The Development of Government Expenditure Control: The Issue and Audit Phases", C.J.E.P.S. (November, 1944), p. 464-75; W. C. Clark, "Financial Administration of the Government of Canada", C.J.E.P.S. (August, 1938), p. 391-419. The former is the present Comptroller of the Treasury, the latter was a long-time deputy minister of Finance.

2. We might note that both sides of the House approved the legislation.

with a pre-audit power, i.e. all expenditures would henceforth have to have the approval of a member of his staff - to ensure that the proposed outlay was within the voted appropriations and that it would not exceed the difference between the total of a particular Parliamentary vote and the amount already spent under that allotment. This office secured a large staff, who were placed in the several departments to ensure that these objectives were carried out. Under such a set-up, the current financial position of each department, and of the bureaucracy as a whole, would be readily ascertainable as listings of expenditures were collected in Ottawa on a daily basis. As this system required the staff of the Comptroller stationed in each department to keep the books of that department, it did away with the anomalies created by having heterogenous book-keeping arrangements in the departments.<sup>1</sup>

The Comptroller was clearly specified to be an officer of the executive, responsible to the Minister of Finance. The Canadian Parliament was not a very effective supervisor of financial affairs and anyhow was not geared to be so.<sup>2</sup> It seemed clear to Bennett that it was the executive wherein which financial control must be centralized, particularly when government was growing more complex

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1. Ward, Public Purse, p. 169. For an extended discussion, see R. D. MacLean, "An Examination of the Role of the Comptroller of the Treasury", C.J.E.P.S., (May, 1964), p. 1-133, esp. p. 44ff.

2. See W. F. Dawson, Procedure in the Canadian House of Commons (Toronto, 1962), p. 227-8.

and more diversified. The executive qua executive of course remained responsible to the House in the traditional sense.<sup>1</sup>

These reforms of financial control provided a sound basis upon which to build later adjustments; in fact it would not be too much to say that these measures converted governmental financial administration from a nineteenth century format, anchored in negative conceptions of the role of the public sector, to a framework congruent with emerging "big" government. The Auditor General would henceforth have a sound accounting system and a stringent technique of financial control assured him, enabling him to limit himself to his prime function, that of carrying out the audit. Although the Act formally narrowed his powers (i.e. restricting him to actual audits) it in effect served to make his audited statements more reliable. Further, the Act specifically directed him to submit to audit a number of areas that previously were open to verification only with the approval of the Minister of Finance.<sup>2</sup>

The changes in the Act certainly served to strengthen the Treasury Board, which was formally a sub-committee of cabinet whose role in financial and general administration had varied widely over the several decades since it had been created (at the time of Confederation). During the first war much broad control and coordination responsibilities were delegated to it, but through post-war

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1. The central executive could now be held responsible for the expending of appropriations, once they had been voted.

2. Ward, Public Purse, p. 170.

years this body had more or less receded into the background. The marked expansion of government, coupled with the steps of the 1931 Act aimed at putting the government's financial house in order, paved the way for greater employment of this financial sub-committee. The growing burden upon the cabinet came to necessitate delegation of matters involving assessment of fiscal priorities and possibilities and preparation of supply estimates to the Treasury Board. The reliability of financial control mechanisms instituted in the early Thirties allowed the Board to concern itself with broad questions of revenue and expenditures and to leave "checking" duties to the Comptroller. In line with the rationalization of cabinet work which was effected in the later years of the decade, the Treasury Board assumed wider powers and greater authority; both of these tendencies were markedly stepped up during the second war.<sup>1</sup>

In 1939 (and indeed thereafter) financial control of the various public corporations remained much less homogeneous than in relation to the departments. All of the corporations we considered in the previous chapter were created by special statute (some later ones were set up under the provisions of the Dominion Companies Act), and in each case the enabling statute spelled out the degree of financial (and other) autonomy that the body was to enjoy. Thus the leeways granted varied considerably. Some of these new agencies had

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1. For an analysis of the current functioning of the Board, see W. L. White and J. C. Strick, "The Treasury Board and Parliament" Canadian Public Administration (June, 1967), p. 209-22.

statuses in this regard virtually indistinguishable from normal departments: e.g. the veterans' boards and the National Film Board. Others had only to submit annual capital budgets to cabinet, which were in turn submitted to Parliament where they as a rule came to receive very little scrutiny; this group would include the National Harbours Board. The C.B.C. and the C.N.R. had to submit both capital and operating budgets, while the Bank of Canada enjoyed virtual total financial independence - a condition that was deemed essential if it was to perform its role. No real rationalization and categorization, on an official level, of the existing heterogeneity in this area was attempted until the Financial Administration Act of 1951.

In contrast to the significant achievements realized during the decade in the area of financial administration and in general organization of the federal public administration, very little of lasting value in the area of personnel administration was accomplished. This situation appears to have stemmed from several factors. First, and most obviously, concentration was focused upon other aspects of management and organization, as we have seen. Secondly, the reforms of 1918-19 - which sought to convert the Canadian federal civil service onto a "merit" basis and thus to weed out the influences of patronage and nepotism which had to this time served as the basic modus operandi - were of recent vintage and further had effected a major shift in emphasis: two attributes that were not present in the area of financial administration. Thirdly, personnel management theory during the Thirties was divided into roughly two schools of thought, neither of which was pre-eminent. One line of

thinking, the elder of the pair, stressed rational behaviour and economic determinism as being the prime characteristics of the individual worker, and came to be known as "scientific management". The second school, which began to emerge during this decade, was dubbed the "human relations" approach and this mode of analysis focused attention upon the irrational side of man and the role played in the work arena by informal groups. Proponents of either approach could easily be cited to support views on personnel matters; no farreaching changes could be realized - one might suggest in retrospect - until this dichotomy was bridged or until one viewpoint came to predominate. Fourthly, neither white collar nor blue collar workers were in anywhere near short supply during these years; obtaining more staff normally involved merely advertising for same, and thus little attention had to be paid to conditions of work, fringe benefits, etc. Taken together, these conditions seem to account for the relative lack of attention devoted to wide areas of personnel management, and for the absence of reform of the magnitude we have traced in other aspects of governmental administration. Having said this, we must hasten to append that all was not silence in this field.

One of the basic notions running through official thinking during these years, as far as it concerned the public administration, was that of economy and efficiency of operation of the governmental machine. While precisely what was meant by these two goals was not always clearly spelled out, much of the time these aims basically encompassed efforts to save money and thus to operate as "economic-

ally" as possible. The centralization of financial administration which we documented above was seen as a step toward this end. The "economy ethos" of the early Depression years, spurred by a decline in revenues, led to across-the-board civil service wage cuts and a freeze on all hiring and promotion.<sup>1</sup> Improvement of general economic conditions (and hence a greater buoyancy in federal revenues) in the middle of the decade led to a restoration of previously-existing salary levels but no service-wide increases were introduced before the tight labour situation of the second war. In these depression conditions a gradual centralization within the Treasury Board of broad control of personnel matters occurred almost imperceptibly. The Civil Service Commission, originally established in 1908 and greatly strengthened by the "merit" reforms of 1918-19, was being overshadowed as the central executive arm assumed an increasing power. Much of this sprang directly from the straitened financial circumstances of the day, but in part it was also in line with Bennett's centralization of control under a responsible executive. The shift of locus of authority had longer run implications: the Commission was emerging, almost against its will, as the agency concerned primarily only with the assurance of merit, viz. the giving of qualifying tests to applicants. This gradual assumption of power by the Treasury Board was congruent with the trend in the realm of financial control; both were stepped up markedly during the second war and have been acknowledged in a most positive manner

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1. For further data, see Cole, Canadian Bureaucracy, p. 69.

by the recent Glassco Commission report.<sup>1</sup>

The role of the Civil Service Commission was altered somewhat during the Thirties but its place in the scheme of things was far from eliminated. The emerging positive state, encompassing as it did an expanded and considerably more complex role for the public sector, demanded civil servants of an increasingly higher calibre. There was no room for slovenly hiring practices, patronage and nepotism - features which were commonplace prior to the setting up of the Commission and the instituting of the merit system. Even to hold on to what gains had been realized was no small task.<sup>2</sup> Further, considerable patronage existed in the appointments to many of the growing number of positions which were exempted from the purview of the Commission.<sup>3</sup> A large number of these positions were in the public corporations created in these years; exemption from the strict and detailed personnel procedures which applied to the bureaucracy proper allowed these agencies to achieve flexibility in this manage-

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1. Report of the Royal Commission on Government Organization (Ottawa, 1965), passim, esp. Vol. I, p. 51-7, 64-6.

2. Dawson notes that patronage was not eradicated by the middle of the decade. R. M. Dawson, "The Civil Service of Canada", C.J.E.P.S. (August, 1936), p. 389-90. See also his Civil Service, p. 252.

3. V. K. Johnston, "The Civil Service of the Dominion of Canada", in L. D. White ed The Civil Service in the Modern State (Chicago, 1930), p. 80.

ment area.<sup>1</sup> This practice of exemption was an expedient, and did nothing to get at some of the root faults of the formal system of personnel administration which covered much of the service. In summary, the power and authority of the Commission was being undermined as a result of a number of developments; this trend was reflected by the report of a House Committee investigating the service in 1932, which expressed little confidence in the Commission and actually recommended the removal of the three incumbent commissioners.<sup>2</sup> To some extent the Commission was being used as a scapegoat for some of the acknowledged ills of the system. But the positive state, with its need of employees selected on the basis of skills and knowledge and with no tinge of patronage, would guarantee the Commission - as an independent agency designed to realize these demands - a place in the administrative sun.<sup>3</sup>

A number of other aspects of the personnel side of management bear mentioning for the light they throw on the decade itself and on later evolution in this area. The growing pains that would inevitably accompany as drastic a development as the crystallization of the big government we have come to know began to be felt as early

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1. Such agencies came to be utilized by governments in office to achieve economic ends and intra-governmental objectives - and thus patronage came to be the basis of appointment to key posts; to realize these conditions, such appointments had to be outside the purview of the Commission.

2. As reported in G. E. Caiden, The Federal Civil Service of Canada (London, 1960), p. 90.

3. Years later such thinking was upheld by the Glassco Commission.

as the years we are studying. Some of the problems were clearly not fully comprehended by all involved, and many were not even concisely articulated, but we can perceive glimmerings of some of these issues. The 1930 Royal Commission, set up to delve into the role and position of technical and scientific staff in the service, noted the growing importance of highly trained people in the ever more complex tasks which civil servants were called upon to perform, and added that this was not recognized in existing salary structures at the higher levels.<sup>1</sup> Perhaps even more important in the long run would be the need to consciously train and develop an administrative elite, capable of running the complex hierarchies of big government; this point was strongly made by an influential study first published in 1933.<sup>2</sup> An attempt was made to establish the rudiments of such an elite on the prototype of the British administrative class within the service; the concept was only half-heartedly accepted by the government and was quietly dropped shortly after its introduction.<sup>3</sup> Progress in this matter

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1. Report of the Royal Commission on Technical and Professional Services (Ottawa, 1930), p. 8-9. H. R. G. Greaves discusses the changing work environment of the civil service in his The Civil Service in the Changing State (London, 1947), esp. p. 218-9.

2. E. Mayo, The Human Problems of an Industrial Civilization (New York, Viking Press ed, 1960), p. 167-71. The vital role of the administrative service is stressed by P. Herring, The Politics of Democracy (New York, 1940, 1965), p. 369-77.

3. See Dawson, "Civil Service of Canada", p. 297-300; Cole Canadian Bureaucracy, p. 63-4.

would have to await the introduction of the Junior Administrative Officer scheme in 1947. Controversy continues today on this issue, when the problem at hand is more readily apparent than it was during the Thirties. To an extent, a successful solution to this problem ties in with the question of the prestige value of employment in the public sector. An American study in 1929 showed the public service to rank low vis-a-vis alternate job possibilities<sup>1</sup> - not surprising in relation to the attitudes in regard to the civil service we noted earlier in our study. A more favourable public image of an increasingly benevolent and more welfare minded government gradually came to spur a higher public estimation of public service employment<sup>2</sup>, but not until into the post-war era.

On a more tangible front, it gradually became increasingly clear in the years following the establishment of the new system of 1918-19 that several of the ills of the scheme in operation stemmed from the inflexible classification format upon which the system was based. The "scientific management" schoolers who were called in by the government of the time to institute the scheme insisted on fine (some would say infinite) division of all labour in the service, on

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1. L. D. White, The Prestige Value of Public Employment (Chicago, 1929). The findings would seem to have general validity for the Canadian milieu.

2. See for example M. Janowitz and D. Wright, "The Prestige of Public Employment: 1929 and 1954" in C. E. Hawley and R. G. Weintraub eds Administrative Questions and Political Answers (Princeton, 1966), p. 381. The authors also cite the growing desire for security as making for a more favourable evaluation of public employment: p. 387.

minute gradations of responsibilities and on a rather rigid adherence to the system as established once it was in operation. A number of defects in the scheme as a functioning entity were detected by Dawson: (i) the rigidity we have already referred to; (ii) a system of examining applicants which tended to oversimplify the skills required for the tasks at hand - an aspect that became more and more relevant; (iii) an over-emphasis on a "Horatio Alger" philosophy, i.e. that all should start at the bottom of the ladder and have equal chance to work their way up.<sup>1</sup> All three of these negative characteristics loomed of larger import as government became more complex and came to demand a wider variety of skills at various levels - trends which we have seen were developing in the Thirties. In spite of a number of studies issued recommending a revamping and simplification of the classification system,<sup>2</sup> nothing of a formal nature was done to this end during the decade - although in practice some of the scheme's more rigid stipulations were occasionally circumvented.<sup>3</sup>

On a net basis, the size of the civil service proper (viz.

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1. See his "Civil Service of Canada", p. 293-4.

2. As well as the 1930 Commission's report, those studies opting for reassessment of this whole question included reports of no less than four House committees set up during the period to delve into matters regarding the civil service: Civil Service Assembly, Position-Classification in the Public Service (Chicago, 1941), p. 12-3.

3. But even this was no easy task, as it required acquiescence on several fronts: C. H. Bland, "The Present Status of the Civil Service", in L. D. White et al eds Civil Service Abroad (New York, 1935), p. 77.

permanent and temporary employees under the purview of the Civil Service Act) did not change markedly over the decade. The figure in 1929 stood at 42,038, dipped to a low of about 41,000 in 1935 as a direct result of the hiring freeze invoked as an economy move, and slowly climbed to just over 45,000 by 1939.<sup>1</sup> By contrast, we might note that the corresponding total was well over 100,000 by the end of the war, six years later. Accurate figures on the over-all size of public sector employment are quite difficult to come by. Most of the public corporations created during the decade, and in particular the basically regulatory bodies, would have relatively small staffs. To arrive at all-inclusive statistics, we must total the civil service proper, the employees in public corporations, and the prevailing-rate group of employees - i.e. those men hired locally, usually for short periods, at the prevailing rate for their type of work.<sup>2</sup> The Deputy Minister of Finance in 1938 estimated this over-all total to be about 65,000;<sup>3</sup> this seems quite reasonable in light of our other numbers.

Thus we can conclude by observing that the thoroughgoing and lasting reorganization of the financial administration machinery was not matched by similar achievement as regards personnel management. Indeed several key aspects of the latter area remained in an

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1. Canada Year Book (1940), p. 1073.

2. Cole estimates the prevailing-rate category numbered over 5,500 in 1937. See Canadian Bureaucracy, p. 104.

3. Clark, "Financial Administration", p. 391.

"unsatisfactory" state until the 1960's and the attention then focused upon them by the Glassco Commission and the advent of collective bargaining in the service.

V. A Concluding Note

The Thirties was one of those decades during which basic social evolution occurred in Canada, the significance and nature of which can probably best be appreciated with the benefit of hindsight.

Despite, and partly because of, economic frustration, it was an energetic, speculative decade - one that created a new national sentiment and many of Canada's most important modern institutions.<sup>1</sup>

Intellectually, a merging of the capitalist ethos (based upon the notion, however phrased, that the poor were somehow incompetent) with a more sympathetic, perhaps more 'humane' line of thinking took place in the Western World. A positive role for the state was advocated: an economic system theoretically based upon pure capitalism was acknowledged to be inadequate. In the wake of this, new machinery of government became necessary; important foundations of what Professor Morstein Marx terms the 'administrative state'<sup>2</sup> were put in place in Canada during this decade. The effect on the public administration was substantial, as we have seen.

In an effort to place broader social perspective upon the events of the decade which we have discussed, we might enquire as to how 'systemic' they were, i.e. how did the steps taken influence

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1. McNaught, "1930's", p. 238.

2. In The Administrative State (Chicago, 1957), p. 1-2.

the social system as a functioning entity. Toward such an analysis we may utilize a framework based upon a number of vital social relations, or associational forms which are common to many societies. Such associational forms focus upon the nature of social inter-relations among sectors of that society: examples are competition, subordination/superordination, division of labour, cooperation and supplementation.

One of the most obvious trends of the Thirties was the tendency to subordinate sectional interests to those of the state as a whole, seen for instance in the power given the Bank of Canada to regulate monetary affairs in the public interest. The state emerged as an explicit superordinate in several areas, with the state viewed as representing the public interest - a somewhat nebulous quantity which is not easily specified.<sup>1</sup> Such action made for better integration of the society, indeed this was the acknowledged objective to be achieved with the establishment of the C.B.C. The fall from grace of the 'pure capitalism' philosophy was accompanied by the gradual acceptance of one providing for a public sector whose position was that of superordinate, and whose role it was to set guidelines and to act as a positive force within the society. The carrying out of these responsibilities entailed the

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1. On defining the "public interest", see G. A. Schubert, " 'The Public Interest' in Administrative Decision-Making" in R. T. Golembiewski et al eds Public Administration: Readings in Institutions, Processes, Behaviour (Chicago, 1966), p. 409-11, and J. Pfiffner and R. Presthus, Public Administration (New York, 5<sup>th</sup> ed, 1967), p. 556ff.

establishment of public agencies - a rather new type of social animal - responsible for specified areas of social and economic activity. Coupled with the nationalism that sometimes spurred their initial creation, some of these public corporations served vital functions of national integration, an important consideration during a decade in which regional and federal-provincial differences seemed to loom so large. The national government in effect began asserting itself as a government for all Canadians and one in their best collective interests.

During the Thirties, several governmental undertakings moved the public sector into competition with private enterprises. A number of mixed-economy areas emerged, air transportation and radio broadcasting to name two. The notion of competition, and more importantly the benefits which would stem therefrom, was accepted by the regimes of the day as regards certain economic fields; further, the concept of using the performance of the publicly-owned enterprise as a sort of yardstick of performance in that field was not overlooked.<sup>1</sup> The encouraging of competition was also an explicit objective of the Board of Transport Commissioners in the carrying out of its regulatory responsibilities: indeed we have the state assuming a superordinate responsibility to further economic competition - a trend that would come to be greatly strengthened in later years. This is a key ingredient of industrial development featuring large-scale enterprises, a situation which characterized

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1. This was an explicit aim of T.V.A. in the U.S.

the country in the Thirties and which is even more relevant today. From another vantage point, the government may be seen as cooperating with and supplementing the economic system as it has come to exist. Much governmental action during the decade was aimed at salvaging part of the private enterprise system and making it workable; going a little further we might agree that Keynes saved capitalism from itself! Relief payments aided those hardest hit by the shortcomings of the system in operation; regulation sought to bring to bear the interests of broad sectors on vital economic and social decisions; mixed-economy undertakings attempted to show the way to better operation and lead the way in implementing new techniques; the social welfare services which appeared later continued the process.

Appendix 1The Two Federal Elections of the Decade

## A - 1930 GENERAL ELECTION

<u>Party</u>	<u>% of Vote</u>	<u>Number of Seats</u>	<u>% of Seats</u>	<u>Change in Seats from 1926 Election</u>
Conservatives	48.7	137	55.9	46
Liberals	45.5	91	37.1	-37
Progressives	3.2	12	4.9	-8
Others (1)	2.7	5	2.0	-1
Total		<u>245</u>		<u>0</u>

Note: (1) includes Independents of various shades, Communists, Labour.

Comment: Decisive areas in this election were Quebec and the Prairies, where Bennett-led Conservatives registered a net gain of 42 seats over 1926 election result. Their net gain in the rest of the country, taken as a whole, was 4 seats.

## Appendix 1 - continued

## B - 1935 GENERAL ELECTION

<u>Party</u>	<u>% of Vote</u>	<u>Number of Seats</u>	<u>% of Seats</u>	<u>Change in Seats from 1930 Election</u>
Conservatives	29.6	40	16.3	-97
Liberals	44.9	173	70.6	82
C.C.F. (1)	8.9	7	2.9	7
Reconstruction (2)	8.7	1	0.4	1
Others (3)	7.8	24	9.8	7
Total		<u>245</u>		<u>0</u>

Notes: (1) this party was contesting its first election at the federal level in 1935.

(2) this short-lived 'breakaway' party was contesting its first and last federal election.

(3) includes figures for Progressives, and for the new Social Credit Party - <sup>which</sup> ~~who~~ by concentrating its small share of the popular vote in Alberta and a section of Saskatchewan, managed to elect 17 members.

Source of both Tables: H. Scarrow, Canada Votes (New Orleans, 1962), p. 62, 76, 90.

Appendix 2

Structural Changes in the Federal  
Public Administration, 1929-1939

<u>Departments Created:</u>	<u>Date</u>
Department of Fisheries (previously under Marine and Fisheries)	1930
Department of Transport (amalgamation of Railways and Canals, Marine and a section of National De- fense)	1936
<u>Non-Departmental Bodies Created:</u>	
War Veterans Allowance Board	1930
Director of Soldier Settlement	1931
Comptroller of the Treasury (an internal control agency)	1931
Canadian Pension Commission	1933
Bank of Canada (fully nationalised in 1936)	1934

## Appendix 2 - continued

Canadian Farm Loan Board	1935
Canadian Wheat Board	1935
National Harbours Board	1936
Canadian Broadcasting Corporation (forerunner: Canadian Radio Broadcasting Commission, 1932)	1936
Trans-Canada Air Lines	1937
Board of Transport Commissioners	1938
National Film Board	1939

Appendix 3

Chronology of Main Socio-Political Events  
(for our purposes)  
of the Decade 1929 - 1939

- 1929 - stock-market crash, and beginning of world-wide Depression.
- 1930 - R. B. Bennett, named leader of the Conservative Party in 1927, led party to victory in 1930 federal election by defeating the King-led Liberals.  
- first Canadian Relief Acts passed.
- 1931 - Duff Royal Commission set up to delve into the whole question of transportation in Canada.  
- Wheat Pool is forced to wind up its operations, due to lack of export markets for Canadian wheat.  
- National Government led by Ramsey MacDonald formed in Great Britain.  
- Statute of Westminster enacted.
- 1932 - Imperial Economic Conference held in Ottawa at the invitation of Bennett; outcome far short of some initial expectations.  
- League for Social Reconstruction formed.  
- Roosevelt elected President of the United States.
- 1933 - C.C.F. Party launched in Western Canada.  
- World Grain Conference held in Regina.

## Appendix 3 - continued

- 1934 - in six federal by-elections during this year, the Liberals retained three seats, took two from the Conservatives and sharply reduced the Conservative majority in the sixth.
- 'Mitch' Hepburn became Premier of Ontario.
  - C.C.F. now official opposition in British Columbia and Saskatchewan.
  - Price Spreads Inquiry established.
- 1935 - 'march to Ottawa' by relief camp workers turned back at Regina by the R.C.M.P., resulting in bloody rioting.
- Bennett introduced his legislative 'new deal' package in the months preceding the upcoming election.
  - King and the Liberals returned to office in 1935 federal election.
  - Social Credit Party formed the government in Alberta.
- 1936 - Maurice Duplessis became Premier of Quebec.
- Roosevelt re-elected President of the United States.
- 1937 - Bennett's 'new deal' legislation declared ultra vires almost in total, sparking discussion of powers of constitutional amendment. Decision upheld provincial claims to power in several key social service areas.
- Rowell-Sirois Royal Commission established.

## Appendix 3 - continued

- 1938 - extensive reorganization of the federal executive branch undertaken by the Roosevelt administration in the United States.
- 1939 - Canada declared war on September 10.
- Canadian population stood at approximately 11,300,000 - a net increase of about 1,000,000 over the decade.

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