OTTAWA AT WAR

The Grant Dexter Memoranda, 1939-1945

Edited and Introduced by Frederick W. Gibson and Barbara Robertson

Canadians made an impressive contribution to the Allied defense during the Second World War. Canadian men and women participated in military campaigns in Europe and Asia, as well as working at home making munitions and uniforms or producing food for overseas and domestic consumption. All of this was accomplished through much effort and a great deal of planning. Sometimes these plans were well thought out and well executed; sometimes not. They were, however, attributable to a small group of powerful men in the dominion government.

Prime Minister William Lyon Mackenzie King charged his most trusted colleagues with running the war and these men, in turn, trusted a long-time Winnipeg *Free Press* correspondent with some of their most confidential information. This trusted correspondent was Grant Dexter.

Grant Dexter wrote voluminously and a generous sampling of his memoranda and letters is reprinted here. His memos and letters offer informed reflections on the Liberal government in Ottawa during the Second World War. They were sent to J.W. Dafoe, editor of the *Free Press,* and his close associate, G.V. Ferguson, for their private information and as a guide to forming editorial policy. Dafce and his *Free Press* editors enjoyed enormous prestige, and leading Liberals were eager to get their point of view across to them. Dexter, as the *Free Press* representative in Ottawa, began by sharing this prestige, and went on to establish his own through his intelligence and discretion. “All the doors have opened almost miraculously,” he wrote just before the Second World War began. And the doors stayed open. His access to cabinet ministers and senior bureaucrats was unrivaled.

The memoranda constitute a first-hand report by a close observer of how things actually worked in wartime Ottawa. Dexter brings alive the personalities of important politicians-King, Ralston, Gardiner, Ilsley, Howe, and many others - and he makes clear the pressures under which they laboured. He also defines the major issues that concerned them-conscription, finance, wartime production, federal-provincial relations, international relations, and conflicts among cabinet ministers. Dexter, like Dafoe, was Mackenzie King’s ally, but he was not afraid to be critical of the Liberal government.

The cover photo captures Grant Dexter during the war years. It was taken by a photographer at Pringle and Booth, Toronto, Ontario. The photograph appears courtesy of the Queen’s University Archives and with the permission of the Dexter family.

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The late Frederick W. Gibson was Professor of History at Queen's University for many years, and the autor of volume two of a history of Queen's University. Barbara Robertson is an independent scholar from Kingston, Ontario, whose 1971 publication WILFRID LAURIER: THE GREAT CONCILIATOR was reprinted in 1991. She has also co-authored THE WELL-FILLED CUPBOARD (1987) with Mary Alice Downie.

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FOREWORD

Grant Dexter's memos to John W. Dafoe and George V Ferguson constitute a remarkable archive. The memos of course are really superb, old-fashioned letters. They provide insight into modern Canadian political history in several ways, not only for the major issues of war-time policy making, political intrigue and military crises, but also for Dexter's role as a reporter capable of churning out fascinating writing about people and problems.

Dexter's writings are striking because they offer so many glimpses into the politics and government of Canada during World War II. Dexter's concerns with the conduct of national politics led him to comment not only on the strategies that federal politicians used but also on the peculiarities of the politicians themselves. His enthusiasm for political strategy and his grasp of the fervid daily environment of politics are matched by his curiosity and sympathy for the people involved in politics. His observations of virtually all the key issues in war-time Ottawa, from economic planning to post-war reconstruction, and from military relations to conscription, open a perspective on the war that splices issues with personalities in a way few historians have yet been able to match.

A spate of fine books have been written in the past two decades that have plotted out the war policies of Canada, beginning with C.P. Stacey's paradigm-making policy-study, *Arms, Men and Governments.* J.L. Granatstein's political history of the King government, *Canada's War* and his biography of war-time Under-Secretary of External Affairs, Norman Robertson, Robert Bothwell & William Kilbourn's biography, *C.D. Howe*, and Doug Owram's study of statist-thinking, *The Government Generation* have continued the Stacey tradition. These accounts have well plotted the public goals and political problems wrestled with during the war years. Dexter's memos add two extremely important perspectives. First, he writes about issues in a way that integrates the links between politicians

and bureaucrats, links that are either missing or hollow in the existing works. Second, he makes it more vivid than any other account that policy options were debated amidst consideration uncertainty. The sense of inevitability conveyed by the recent books, whether it is federal domination over the provinces, the creation of the "welfare state," or the triumph of the Liberal party, is utterly contradicted by Dexter's version.

Dexter's writings are also remarkable because they reveal so well the extent to which reporters and politicians collaborated during the mid-twentieth century. Dexter and the *Free Press* were highly sympathetic with the Liberal government of Mackenzie King, and yet both Dexter and the *Free Press* sought to maintain some tension in the relationship so that criticism as well as support characterized the collaboration. Dexter's revelations about the relationship between press, including reporters and publishers, and politicians leads to a problem that has long intrigued political writers, one that is especially an issue in the contemporary period, when media critics ferociously debate the autonomy of journalists.

The Canadian dimensions of the problem have been examined in several recent books. These include Allan Levine's fine survey, *Scrum Wars*, on the mutual antagonism and collaboration between the prime ministers and the reporters, and Patrick Brennan's splendid *Reporting the Nation's Business*, on the reporter-princes of Ottawa during the period of Liberal domination between 1935 and 1956. Both of these books argue for a novel seriousness among political reporters despite close ties with politicians. Yet to read Dexter's private musings on the relationship suggests that his attitude towards the place of the reporter in national politics, as well as his practices, would hardly be foreign to media superstars in the 1990s or to their reportorial predecessors in the 1890s. In all cases, reporters have privileged information about politicians and policies that seldom becomes public and, most remarkably, the reporters regard themselves as critic-advisers with some peculiar "responsibility" to advise both the audience they write for and the politicians they write about. Dexter's work should be troubling for anyone who would think that the relationship between reporter and politician has really shifted very much since the advent of mass-audience reporting in the late-nineteenth century.

Altogether, Dexter's memos join other private accounts of public life in twentieth century Canada, notably *The Dafoe-Sifton Correspondence*

1919-1927, edited by Ramsay Cook and published as Volume II of the Manitoba Record Society, and that most formidable record, the diaries of William Lyon Mackenzie King, a sixty-year record that has only been published in bowdlerized form for the period 1939 to 1948 as *The Mackenzie King Record.* Like the published King Diaries but much more fully, the Dexter memos allow us to judge the conclusions of historians and to relive the experience of national politics in World War II. The Dexter memos are documents of rare insight into the conduct of politics and government as well as the role of the reporter in Canada.

Barry Ferguson
St. John's College
University of Manitoba
May 1994

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We are deeply grateful to Alice Dexter for making this book possible. It was she who preserved her husband's papers and presented them to the Queen's University Archives. She took a keen interest in this project and we regret that she did not live to see its completion. We have greatly benefited from interviews with three of Grant Dexter's old friends, Bruce Hutchison, the Honourable John W. Pickersgill, and Norman Smith. We are also obliged to David Ferguson for making available to us the private papers of his father, George V Ferguson. These papers provided useful insights into the *Winnipeg Free Press* in its golden age, before the death of J.W. Dafoe.

We thank the staff of the Queen's University Archives, and in particular Anne MacDermaid and George Henderson, for unfailing helpfulness and interest. In addition, we have been much helped by David Bell and Diana Jennings, who, at different times and for different periods, worked as research assistants. Najum Rashid supplied a clean hardcopy of the typescript. We gratefully acknowledge the financial assistance of the Bell-McConnell Foundation, the Carolyn Sifton Foundation and the Queen's Arts Research Committee. The Carolyn Sifton Foundation generously made an additional grant to cover the costs of publication. We have appreciated the warm interest of the Manitoba Record Society in publishing this volume, and specifically want to thank its editor, Debra Lindsay, for her help in editing it.

Frederick W. Gibson died on 2 April 1992. I regret very much indeed that he did not live to see the publication of the Grant Dexter memoranda. He began work on editing the memoranda many years ago, but the project was often interrupted by other pressing commitments. It was only after the completion of the second volume of the history of Queen's University that it was possible to return to editing Grant Dexter's memoranda. From this point we worked on it together, a collaboration both of us enjoyed. Indeed, we were working on revisions to the manuscript on the very day of his death. Essentially the manuscript was complete at this time, and I can only hope that, in the final flurry of minor revisions, no meaning has been altered or distorted. Frederick Gibson had a knowledge of subject and period that was both subtle and comprehensive.

I must here acknowledge my thanks to my husband, for endless instruction in the use of the word processor and considerable help in editorial changes. My daughter, Sarah, prepared the index. Finally, Margaret Gibson has been invariably kind in making available to me her late husband's books and papers, as they relate to the Dexter memoranda.

GENERAL INTRODUCTION

Grant Dexter spent 50 years in journalism. Throughout he worked for the *Winnipeg Free Press,* or the *Manitoba Free Press* as it was known until December 1931, becoming executive editor in 1946. It was an elevation he neither sought nor welcomed, and after eight frustrating years in the editor's chair he returned to the more congenial role of parliamentary correspondent in Ottawa.. He filled this post from 1924 to 1946, making a reputation as the best informed newspaperman in the nation's capital.

Grant Dexter was born in Parkdale, Manitoba, on 3 February 1896 at a time when his family's finances were rapidly declining. His father, a lawyer with a profitable practice in Winnipeg, suffered heavy losses in the real estate crash of the 1890s, and he abandoned his wife and five children to recoup his fortunes in New York City. He was not successful in this and never rejoined his family whom he left struggling to maintain a life of genteel poverty. For a time the Dexter family lived in Hamilton where Grant attended elementary school and the first year of high school; later when they moved back to Manitoba, he went to Brandon College, a Baptist school, to complete Grade 10. That was the end of his formal education, a less grievous blow than might now be assumed, for few professions then required a university degree, and he became an indefatigable self-educator.

In May 1912, John W. Dafoe gave Grant Dexter a job at the *Free Press,* later recalling: "... a tall, slim youngster came in and struck me for a job. I liked his looks, and when I found he was the son of a man whom I had known twenty years before I took him in."[1] The sixteen-year old Dexter began as an office boy and messenger for Dafoe himself and for Cora Hind, the paper's agricultural editor. But soon he began to move up. One night after a violent storm hit a

visiting circus, elephants were found roaming the streets of Winnipeg. Word reached the *Free Press*, but there were no available reporters and so Dexter went to cover the story. His account was lurid, he feared, but he need not have worried. In the event he was promoted to the position of cub reporter, and he went on to cover deaths and funerals, police court and general assignments. By the time the First World War began, he was city hall reporter. The war interrupted his newspaper career and he served with Lord Strathcona's Horse. In 1917, when he contracted trench fever in France, he was pronounced unfit for active service and reassigned to orderly duty at Eastbourne General Hospital in England. There he stayed until 1919. He liked his work as an orderly relatively well; he did not fancy himself as a soldier, nor admire the army as an organization. He had gone over-seas as a trooper and he refused to accept promotion. A friend later recalled "He said once that he was prepared to shoot if he had to but he wouldn't order someone else to shoot."[2]

Much more to his liking was his work for the Free Press. On his return in 1919 he covered the trials of the leaders of the Winnipeg General Strike. He then went to the press gallery of the Manitoba legislature where he learned the basics of parliamentary procedure and something of the style and habits of political parties and leaders. This was an apprenticeship in political reporting very necessary to his next major move.

At the end of 1923 Dexter was promoted to the top reporting job at the Free Press-political correspondent in Ottawa. He arrived in the capital in January 1924 with a keen sense of his good fortune. He shared his emotions with Alice Hunter, the young woman he would marry in September, 1924:

> ... Then I thought I would take my first glimpse of the House of Commons. What a sensation to feel that the ambition of one's life has at last come to pass! Here I stood in the snow and yonder across the rising slope, behind the balustrades of masonry arose the three main buildings or blocks... It seems, with its white stone, and small gothic windows, its square towers and low, solid concreteness, peculiarly a place for purity of thought and action. ...
>
> I walked up to the main entrance, slowly to be sure and with the thought that even if no one else cared, I was making history in my own life. I thought a very great deal I can assure you about how fortunate I was to be walking up that driveway; how magnificent an opportunity was mine and how unlimited my accomplishment could be if I had the ability. Many score of newspaper-men would have sold their souls to be in my shoes, and I knew it?[3]

The musings of an naive and incredibly earnest young man? Assuredly Dexter was a serious young man, awed by the opportunity opening before him, but

naive he was not. He had a strong sense of the grandeur of parliament as an institution, but also of the fragility of all forms of government, perhaps not surprising in one who read Gibbon's *Decline and Fall of the Roman Empire* twice in 1924. In another letter to Alice, Dexter commented on the cleverness and wit of the two writers currently responsible for "Under the Dome", a column of comment on the Manitoba legislature in the *Free Press*, but he added:

> There is a question in my mind whether it is wise to treat a legislature or a parliament with so much levity. After all it is not right to destroy public respect for a legislature or a commons. The people who are responsible for our laws deserve respectful attention, and a spirit of levity and disrespect will not improve our government. Once the public thinks all people in public life are crooked, hypocritical, and entirely lacking in any spirit of public ser-vice, a good man would not risk his character by becoming a member of parliament. The problem of democracy is a problem of education and will never awaken an interest in politics in a person when he has been led to believe that only grafters sit in legislatures and only warped laws are passed.[4]

This passage expressed Dexter's professional principles: he believed his function as a reporter was to educate the public in the great political issues of the day, to provide, in the phrase of the American journalist, Walter Lippmann "a picture of reality on which the citizen can act." Without the support of an informed public, legislators might indeed sink to the level of mouthpieces of special interest groups. Dexter rejoiced in a scoop as much as the next man, and over the years certainly had his share, but being first with the news was never his main objective. His aim was to nourish an attentive public with accurate and well-informed news stories; he assumed his readers were as keen about self-improvement as he was himself. Certainly he was working for the right paper. The *Free Press*, under the editorship of J.W. Dafoe, held exactly these views, and Dafoe, himself a self-educated man of prodigious energies, was the chief formative influence on the young Dexter.

More specifically, Dexter's responsibility as *Free Press* correspondent in Ottawa was to report on developments of special interest to Manitoba and the west. The Canadian Press provided unbiassed coverage of all the main stories to all the main newspapers in Canada, and so a political correspondent like Dexter found himself "free and untied to routine work."[5] What Dexter therefore tried to do was to "dig up stuff off my own bank [sic]; watch big stories in the hope of being able to nip in and, perhaps, beat the C.P by a suffi-

ciently long time to make it a scoop; and take stories of particular interest to Winnipeg and the west and write them from the western point of view."[6] He did this to great effect. Within two weeks of his arrival in Ottawa he reported that Prime Minister Mackenzie King's latest efforts to entice a couple of leading Progressive members of parliament into the Liberal cabinet had failed: "I took my courage in my hands and sent a despatch to the effect that negotiations were off and nothing was going to happen. It was a scoop and turned out to be true. If it had been wrong I would have caught blazes."[7] Some of Dexter's initial success was to be attributed to his easy association with T.A. Crerar, Dafoe's friend and fellow-Manitoban. T.A. Crerar was one of the Progressives whom King was trying to entice, and as Dexter reported to Alice, "I ... probably am closer to Crerar than any other correspondent here".[8] Theirs was to be an enduring association, and it was the first element of what Dexter later wove into an unrivalled network of news sources in the government of Canada.

Dexter displayed other enduring characteristics during his first month in Ottawa. Early on he wrote to Alice:

> The ceaselessness of this job is appalling and after we are married I am blessed if I know when we are going to see each other. You are simply on the go all day long and all evening as well. There is so much to be followed up that it is very nearly an impossible task. I have been here several days and have met only four ministers out of 18 - I beg pardon -five.[9]

At the same time this energetic young man was reading not only the main Canadian newspapers but English publications like *The Times*, the *Manchester Guardian*, the *Spectator*, and the *Economist*, as well as the *Edinburgh Review*, and the *Round Table.* He leaned toward English historians, Gibbon and Lecky among others, but found time for the letters of Marcus Aurelius, Chatham's speeches, Froissart, Keynes' *Economic Consequences of the Peace*, and much else besides. In addition, he made it a practice to keep reference files. As he wrote to Alice: "In the evening during this week, I have worked up in the gallery, writing, clipping, pasting and so on. I intend keeping a really complete file as I found it invaluable in my work in the *[Manitoba]* legislature."[10]

From the outset Dexter took great pride in the newspaper that he represented. He told Alice about a fellow-correspondent busily engaged in whitewashing the damaged reputation of a Liberal politician, and thought again how lucky he was to be working for the *Free Press:* "Thank God I am no one's apologist and am not asked to do such things."[11] The essence of his good fortune

lay in working for an editor of the quality and prestige of J.W. Dafoe. As Dexter wrote to Alice in 1924:

> He ranks very high here; probably the outstanding editor in Canada. When he spoke here after coming back from the Imperial Conference, the attendance, I am told established a new record. He is credited in the east with having brought about the cabinet shuffle with Mackenzie King, while in England. I question this but it shows how big he bulks in the eyes of politicians in the east.[12]

Dexter's assessment of J.W. Dafoe's prestige and influence is accurate. Clifford Sifton had chosen Dafoe to be editor of the *Manitoba Free Press* in 1901, and both editor and paper had grown with the west from that time. Sifton bought the *Free Press* in 1897 as a political and business investment. As minister of the interior in the new government of Wilfrid Laurier, and as the sole western representative in the cabinet, Sifton was the leading western Liberal. He saw the *Free Press* as a means of consolidating his political position: it could, he thought, become the centre of a western network of Liberal papers, selling government policy, and defending the government and its minister of the interior. He was also confident that a first-class paper in an expanding western metropolis would make money, and he became fond of saying that he wasn't in the newspaper business for his health.[13]

At the outset, Dafoe was a firmly Liberal newspaperman who agreed with Sifton on most major questions: both Dafoe and Sifton strongly favoured the rapid development of Western Canada; both were firmly opposed to state aid for religious education in Manitoba and elsewhere; and both were anxious to promote the growth of a distinct Canadian nationality, being resolute opponents of British and American imperialism. While Sifton remained a cabinet minister, the two men agreed that the interests of the west required the election of Liberals. Accordingly the *Free Press* was run as a party organ, and Dafoe operated as Sifton's political agent, writing party literature, attending nomination meetings, reporting on how election campaigns were going and where more money was needed.

When Sifton resigned from the Liberal government in 1905 there was a shift in emphasis at the *Free Press* from party organ to regional advocate. From the outset, the paper had been an enthusiastic supporter of western development, and increasingly the *Free Press* began to express the problems and grievances of western settlers. For Dafoe the claims of region and party came together in the 1911 election, and the *Free Press* campaigned both for the

reciprocity agreement and for the Liberal government which had entered into it. Sifton, who was opposed to reciprocity, was persuaded that opposition to it by the *Free Press* would be so unpopular in the west as to ruin the paper. And, indeed, by taking its stand for reciprocity the *Free Press* assured itself of a large and continuing influence in the farming community of Western Canada.

The defeat of the Liberal government in 1911, combined with Sifton's decision not to stand for re-election, further reduced the necessity of operating the *Free Press* as a Liberal party organ. The paper's connection with official Liberalism was abruptly severed in the great wartime crisis of 1917, when Dafoe and Sifton turned against Laurier's leadership and worked for the formation and election of a coalition government committed to enforce military conscription. Dafoe's services to the Unionist cause and his growing national prominence were acknowledged warmly by Prime Minister Borden, who invited him to accompany the Canadian delegation to the Paris Peace Conference in 1919. In Paris, Dafoe added a new dimension of internationalism to his strong nationalism. Present at its creation, Dafoe was a firm believer in the League of Nations, and in the League's ideal of world peace through collective security.

By 1924 Dafoe had demonstrated a capacity for intellectual growth that was reflected in the growing prestige of the *Free Press.* He was also ambitious and his ambitions for the paper were expressed on the occasion of Sifton's retirement from the *Free Press* board in 1927. Conceding that the scope of the daily newspaper had become larger, Dafoe wrote:

> In addition to discharging its original functions, it is now a daily entertainer. But the original newspaper is still there and can be easily located under the comic cuts, the trashy fiction, and the advice to the lovelorn. I accept all these features as necessary; but I hold as firmly as ever that it has got to be a news-paper and an organ of public opinion too-that, in fact, if it isn't a good news-paper in addition to all these added functions it will find its foundations not of rock but of sand. The vital element in a newspaper's life is prestige; and it can only be got from the legitimate news columns and from the editorial page.[14]

It was, in fact, the editorial page-"The Page" as it was called by the *Free Press* staff-which became Dafoe's main interest. He insisted that "the cardinal quality of the Free Press editorial policy" was "having firm views on big questions and fighting for them."

Dafoe was an immensely forceful, hard-working and intelligent man, and he was determined that the interests of the Canadian west, as interpreted by the *Free Press* and himself, should carry weight in the governing of Canada. In 1924 they did, at least to the extent of causing a good deal of anxiety in the old

political parties, particularly the Liberal party. Western Canada had been full of good Liberals, but these had been disillusioned by the revolt of Ontario Liberals against reciprocity in 1911 and by its subsequent failure. Further, Liberals like Dafoe had supported conscription in 1917, thus cutting their ties with the Laurier wing of the party which chose Mackenzie King as leader in 1919. Disaffection in the west was expressed in the election of 1921 by sending Progressive representatives to parliament, a highly individualistic group united chiefly by their dislike of the two old parties as then constituted. Dafoe had considerable sympathy for the more moderate Progressives like T.A. Crerar and was himself eager to purge the Liberal party of protectionism, turning it once again into a low-tariff party.

Prime Minister King shared part of Dafoe's ambition: he wished to bring western Progressives into the Liberal party. He certainly, however, had no desire to expel protectionist elements from the Liberal party, especially the wing of Quebec Liberals led by Sir Lomer Gouin. Lacking a working majority in parliament and needing all the support he could get, King wanted to rebuild the Liberal party as a national party with representation from all parts of Canada. He could not offer the Progressives the sweeping tariff reductions they wanted. However, he attempted to satisfy Dafoe and other nationalists in one area of common liberal sympathies: progress in enlarging Canadian autonomy. King invited Dafoe to accompany the Canadian delegation to the Imperial Conference of 1923 as press representative; and Dafoe, pressed by Sir Clifford Sifton who felt that the prime minister's nationalist tendencies needed bolstering, accepted. At the outset Dafoe's opinion of King was not high: "I am afraid his conceit in his ability to take care of himself is equalled only by his ignorance."[15] But King did manage to defeat the idea of a common imperial foreign policy and to secure some recognition that the British Commonwealth was a voluntary association of autonomous nations, and so won the measured approval of J.W. Dafoe. Though the victory was not complete, Dafoe recognized that in the matter of advancing Canadian autonomy, Mackenzie King was on the right track.

In domestic politics Dafoe's distrust of King and the federal Liberal party persisted. The truth is that Dafoe distrusted all politicians. Grattan O'Leary, the Conservative editor of the *Ottawa Journal*, travelling on the same ship as Dafoe to the Imperial Press Conference in Australia in 1925, asked him "why

he was such a dyed-in-the-wool Grit. 'Very simple', Dafoe replied. 'I simply think of all the sons of bitches in the Tory Party, then I think of all the sons of bitches in the Liberal Party, and I can't help coming to the conclusion that there are more sons of bitches in the Tory Party'.[16] This pungent retort captures much of Dafoe's political position: when the menace of Toryism loomed large in his mind, he became a thoroughly partisan Liberal; when it receded, he tended to become an independent and critical Liberal. The Liberals in Ottawa could never take his loyalty for granted, and he seldom thought their virtue unassailable.

Given Dafoe's views on politicians and his position as a prominent spokesman for western Liberalism, Grant Dexter became a good deal more than a conventional political correspondent. George Ferguson, for many years Dafoe's right-hand man at the *Free Press*, later recalled:

> Dafoe's paramount passion lay in federal politics. This made his Ottawa correspondent a figure of major importance, not only to the staff, but to the active politicians. The politicians both respected and feared Dafoe, and this feeling extended to his representative in the press gallery, Grant Dexter, who was a hard-working man, about my own age, for whom I developed and maintained the greatest professional respect.
>
> The liaison and communication between Dafoe and Dexter were complete. Whatever each heard or suspected he would report to the other. The other would send back his reflections on the problem as it arose. Dexter would keep the members of the Cabinet informed of Dafoe's thinking. Dafoe's voice was so powerful in the West that Dexter, as Dafoe's mouth-piece, shared his power. The politicians explained to Dexter what they were trying to do. The team play was complete between Dexter and Dafoe and resulted in a very clear recognition by the politicians of what Dafoe was thinking. [17]

Here lies the genesis of the Dexter memoranda. They embodied specific and private communications between the politicians in Ottawa and Dafoe in Winnipeg.

The politicians were eager to explain themselves because they wanted the political support of the *Free Press*, support especially valuable to them because of the prestige of the paper, its notable independence, and probable influence on the voters. Dafoe wanted the explanations of the politicians because he did not trust them to act in the interests of the Canadian west, or indeed of Canada, without a good deal of external pressure. He needed "eyes and ears" in Ottawa to follow what they were up to, and that meant knowing what was going on in policy-making before it ever emerged as formal policy. To keep its prestige and to continue to be influential with its readers,

the *Free Press* had to be knowledgeable and informed; it had to know what was going on in Ottawa behind the scenes. To win the support of the *Free Press* (and its readers), the politicians had to be persuasive in their explanations of what their problems were and what they hoped to accomplish. Small wonder that the material of the memoranda was not for publication: it was intended as background for the framing of editorial policy. Dexter, in emphasizing the confidentiality of the memoranda, wrote to George Ferguson in 1942:

> This memo business grew out of the Chiefs relationship with me. I got the habit from him. Over the years he would write for information and it would go back to him in the form of a memo. Such information was always his information, given to me for him and not information which I could have obtained in the ordinary way.
>
> The secret memos really developed as a means of communication between various people here and the Chief. These people were mostly ministers and they did not want to write direct but they wanted him to know certain things. I think this practice (in thinking back over the years) grew steadily. I can recall any number of instances, particularly with Dunning, often with King. They wanted him to have certain facts or opinions in his possession and I was the convenient channel. Very often the chief would choose to reply in this way. I would get a note from him and pass the information along.
>
> I have never regarded this information as being mine or as having been obtained on my own account. And I have never gossiped about it to anybody.
>
> In recent years I think it is true to say that I have picked up information often on my own account but it is still true that the absolutely inside stuff is given to me largely because it is intended it should go to Winnipeg - *and nowhere else*.[18]

As Dexter noted, the habit of communication between Ottawa politicians and J.W. Dafoe through memoranda written by Dexter grew over the years. Some politicians, like T.A. Crerar, probably found it natural to speak to Dexter virtually from the moment the reporter arrived in Ottawa in 1924. With others the habit developed as they discovered how well informed and discreet Dexter was, and how exceedingly easy he was to talk to. Many of the early memoranda, among them those involving C.A. Dunning, do not appear to have survived, and so it is impossible to know their number and it is difficult to assess their character. Certainly the need for them remained steady, for Dafoe continued to make it clear that the sup-port of the *Free Press* and of western Liberals was not to be taken for granted.

The victory of R.B. Bennett and the Conservative party in 1930 did much to convert Dafoe into a loyal Liberal once again. In addition to attacking

Conservative policies, especially on the tariff, Dafoe worked at reforming the Liberal party so as to assure its victory in the next election. His contributions to that victory in 1935 were recognized by Prime Minister King who offered him a cabinet post and then to appoint him head of the Canadian Legation in Washington. Dafoe found it easy to refuse both positions, as he wrote to his brother Wallace: "I was entirely disinclined to take a course which would have involved my retirement from the Free Press."[19]

After the Liberal victory in 1935, Dafoe became less intensely partisan and he got back to his main preoccupation: the good government of Canada. Two matters weighed heavily with him: the impact of the great depression, particularly on the Canadian west, and the steady deterioration of international relations, particularly in Europe. He feared a second world war. Dafoe had been a strong sup-porter of the League of Nations from its birth in 1919, though he was profoundly disappointed by the refusal of the American government to join an organization it had so largely helped to create. But a strong supporter he remained, partly because he thought that the unity of the British Commonwealth of Nations might best be expressed in support of the League ideal-the maintenance of world peace through collective security-rather than in support of a common imperial foreign policy. Above all, he feared a recurrence of the First World War: "the horrors of the Great War hung over him, day and night, like a vast nightmare and his judgments of the politicians and statesmen he observed day by day were judged always by that touchstone."[20]

The sharp deterioration in international, and especially European, stability in the 1930s made war increasingly likely. The failure of the League of Nations to halt Japanese aggression in Manchuria and Italian aggression in Ethiopia discredited that organization as an instrument of collective security, and encouraged Hitler to re-occupy the Rhineland in the spring of 1936. It became increasingly hard to set a limit to Germany's territorial ambitions. Some political leaders, like Prime Minister Neville Chamberlain in Great Britain and Prime Minister Mackenzie King in Canada, came to believe that a policy of appeasement of legitimate German grievances would dissolve German aggressiveness, and there can be little doubt that they had public opinion largely on their side.

Dafoe disagreed profoundly with the isolationism that lay at the base of Canada's support of appeasement. As he wrote in 1935, "the comfortable theory that Canada is remote from the centre of world affairs and is therefore

protected by distance and the sea no longer holds."[21] But he was fully aware of the strength of Canadian support for isolationism. In a letter to Dexter in October 1936, Dafoe wrote: "I do not, of course, deny that the general opinion is strongly favourable to having as little as possible to do with any developments beyond the Atlantic, which of course includes Great Britain."[22] He therefore set to work to change Canadian opinion and the Liberal government's policy which reflected it fairly accurately. In 1936 he sent Grant Dexter to London, close to the European scene of action. It was in Europe, not North America, the future of Canadians was being decided, and Dafoe thought that informed press reports from London might help alert Canadians to their peril. As George Ferguson later wrote: "Dafoe had smelled the coming advent of a European war, and before the war broke out, he had sent Dexter to cover it as early as 1936. When Dexter got there, he discovered that Dafoe's sense of timing had been just right, and he found himself with a ring-side seat at the rapidly unfolding drama."[23]

Dexter's reports caught public attention from the outset, but in time they were powerfully assisted by Lester B. (Mike) Pearson, a disenchanted member of Canada's department of external affairs stationed in London. Thanks to Pearson, Dexter secured a North American scoop on Prime Minister Chamberlain's flight to Munich in September 1938 for a conference with Hitler to deal with the Czech crisis. In a letter to George Ferguson he wrote:

> Much of the credit goes to Mike who between ourselves has shown me his despatches going to Ottawa which are drawn from the Foreign Office files. I am the only one who has had access to pretty much all that Canada House knows, but Vincent [*Massey, Canadian High Commissioner*] doesn't know this. ...
>
> Mike has felt a little nervous now and then for fear Ottawa would notice the similarity between our cables and their information but I think the facts were sufficiently changed and much has gone confidentially.[24]

Dexter returned to Ottawa late in 1938, his reputation as a journalist much enhanced by his reports from Europe in the two preceding years. As he happily wrote to Ferguson, "I find it very easy to move about this place, after London. Everybody seems to be looking for me; I seem to have acquired a kind of prestige, and, so far, all the doors have opened almost miraculously."[25]

J.W. Dafoe and the *Free Press* had to wait a little longer for an enhancement of their prestige. Dafoe had accepted an appointment as a member of the Rowell-Sirois Commission on Dominion- Provincial Relations,

and his attention was inevitably diverted from Canadian foreign policy. Work on the Royal Commission took him away from the *Free Press* for long periods between 1937 and 1940, but thanks to the excellent team work of Ferguson in Winnipeg and Dexter in London and later in Ottawa, the *Free Press* was not divert-ed from its opposition to appeasement. And Dafoe never did abandon editorial writing completely. As Ferguson remembered:

> The rare occasions when he came back to Winnipeg were always marked by a step-up in the writing, like water breaking through a dam and pouring out in all directions. He hated Hitler, he came to hate Chamberlain. He hated Mackenzie King's aloofness, he hated the America Firsters and the isolationists at home. Even more he hated the representatives and spokesmen of the many confused men and women who, though not thinking very clearly, were merely seeking peace in their own time, peace at any price. Above all else, he wanted to see the creation of an anti-Hitler common front designed in so positive a way that it would give even Hitler and his generals a final warning that there would be war if their expansionist goals were not dropped forever.[26]

Dafoe's most famous editorial was occasioned by the Munich agreement in September 1938-the pact that was meant to assure "peace in our time"-by which Czechoslovakia was constrained to deliver the Sudetenland to Germany. This area contained most of Czechoslovakia's German population and all her defences. Entitled "What's the Cheering For?", Dafoe's editorial was a stinging indictment of the policy of appeasement which allowed Germany to expand by a process of bloodless aggression: "Austria yesterday; Czechoslovakia today; what of tomorrow and the day after?"[27] James Gray wrote: "Nothing the newspaper had published had triggered so explosive a response by the *Free Press* readership as that editorial. The switchboard was flooded with calls from irate readers eager to denounce the editor as a war-monger. ..." Circulation fell off.[28]

The following months verified the accuracy of Dafoe's attack on the Munich settlement. In March 1939 Hitler occupied the rest of Czechoslovakia, and soon after this Britain and France declared that they would support Poland against any threat to her independence. When Germany invaded Poland at the beginning of September, the Second World War began. Dafoe received the news with relief, and was already prepared with a wartime policy for the *Free Press.* As he wrote to Ferguson, "unless something is done that we simply cannot stand, our business will be to go along with the Government and help them out in every possible way, by explanations, intelligent publicity and so forth."[29]

When Dafoe was proved right about the aggressiveness of Nazi Germany, his prestige was greatly increased. The *Free Press's* circulation recovered and even increased, though Dafoe was never much concerned about shifts in his paper's popularity. Nor did he continue to brood about the inadequacies of prewar Liberal foreign policy. Once the Canadian Government declared war on Germany on 10 September 1939, the Liberals were back on the right track. Loyal support was what the government now needed, and to be effective that support had to be informed. It was to be Dexter's role to provide information about the Liberal government's wartime policies that would enable the *Free Press* to defend them intelligently on the editorial page. Independence was to be sunk into the larger cause of winning the war, "unless something is done that we simply cannot stand." Dafoe's qualification is not unimportant.

In fact, the *Free Press's* habit of editorial independence persisted, as did Dafoe's desire for a role in making government policy. Dexter did write long articles for the editorial page, explaining problems of government and Liberal policy in a sympathetic way. However, he never stopped writing memoranda to Dafoe and Ferguson. The memoranda, describing the personalities and pressures that variously clashed and combined in the making of policy, provided Dafoe with the window into the world of policy-making that he craved. Without them, the editorials of the *Free Press* would have been both uninformed and uninfluential. Armed with the Dexter memoranda, the *Free Press* continued to look formidable, and politicians continued to talk to Dexter because they wanted *Free Press* support and they could not take that support for granted. Their deference to the *Free Press* is illustrated in the memorandum of 5 October 1942, in which Dexter reports Chubby Power's attempt to defend the prospective appointment of Major-General L.R. LaFleche as minister of national war services. Power marshalled the arguments in favour of the appointment; and then disarmingly admitted LaFleche's shortcomings. "Politics often debar ideal choices" was his conclusion, but clearly his intention was to still criticism of the appointment by the *Free Press.* Power thought the *Free Press* had political influence, and another illustration of that influence is provided in a letter from Grant Dexter to George Ferguson, on 19 October 1942. The letter opposes the revocation in 1940 of the citizenship of those Italian Canadians naturalized after 1922. Leading civil servants in the National War Services Department were unable to get the Department of Justice to revoke this decision, so they brought the matter to the attention of

Grant Dexter who not only wrote two articles about it in the *Free Press*, but also encouraged George Ferguson to write an editorial in late October 1942. It seems likely that the publicity was helpful. At any rate, the *Free Press* was able to report on 29 December 1942 that citizenship was being restored to thousands of Canadians of Italian and German origin who had been reduced to the status of enemy aliens.

Conscription, however, was the large question on which both Ottawa politicians and the *Free Press* focused with the most sustained intensity during the Second World War, and the conscription question figures prominently in the Dexter memoranda. For his part, Prime Minister King never forgot that it had been Dafoe and Sifton whose support for conscription had detached western Liberals from the Liberal party in 1917, and he was determined to prevent a recurrence of that split. In the 1940s, however, Dafoe favoured the maximum war effort compatible with national unity, and that meant the *Free Press* would not lead any movement for conscription with all its potential for dividing the country. As matters turned out, Dafoe intervened person-ally in the first conscription crisis of 1942; before the second one occurred in 1944 he was dead, but his views lived on in his successors, Ferguson, Dexter, and Bruce Hutchison, as associate editors.

What follows in this book is a generous selection of the memoranda written by Grant Dexter during the Second World War to J.W. Dafoe and George Ferguson at the *Free Press.* The memoranda are seldom addressed directly either to Dafoe or Ferguson, but they almost always include the date on which they were written. Of 282 surviving wartime memoranda, 187 have been included. The aim has been to present the personalities and issues that dominated Ottawa during the war. Undoubtedly, T.A. Crerar was the most steadfast of informants, but Dexter was on easy terms with all the major figures of the cabinet: Mackenzie King, J.L. Ralston, J.L. Ilsley, Louis St. Laurent, J.G. Gardiner and C.D. Howe. Equally important, were the articulate but less prominent cabinet members such as Chubby Power and Angus Macdonald who talked freely to Dexter, knowing that he would not betray their confidences. And Dexter with his sure sense of where power resided was in close touch with a remarkable number of senior civil servants, particularly in the Department of Finance and at the Bank of Canada. Among them were W.C. Clark, Graham Towers, Kenneth Taylor, W.A. Mackintosh, and John Deutsch. The formidably intelligent Hume Wrong kept Dexter in touch with the concerns of the Department of External Affairs.

For a number of reasons, some memoranda have been excluded and others have been shortened. Ellipses denote the omission of text within memoranda. In some cases memoranda were excluded because they are extremely fragmentary and their inclusion would require complex explanations out of all proportion to the intrinsic interest of the information they contain. A few were omitted because they deal with problems that were far from central to the war effort. For example, in chapter one, material relating to the St. Lawrence waterways and the Canadian Broadcasting Corporation has been omitted. The waterways memoranda belong primarily to the prewar years, and disappear completely with the end of the phoney war in May 1940. Coverage of the CBC is greatly diminished at the same time, although it never disappeared completely, for as Canadian nationalists Dafoe and Ferguson were greatly concerned with the CBC. Nevertheless, the CBC material has been omitted as distracting from the main theme of the memoranda - the Canadian war effort. For the same reason, information relating to the internal operations of the *Free Press* has been omitted. In two instances the memoranda contained potentially libellous material, and this material has also been omitted. There have been some special inclusions. Letters to Dexter from Dafoe and Ferguson have been included when appropriate to show the editorial dialogue of which Dexter's memoranda were a part.

Almost without exception, strict chronological order has been preserved in presenting the memoranda, and each has been prefaced by the date of the interview, and by the identity of the person or per sons being interviewed. The text of the memoranda has been pre-served as faithfully as is practicable. These are informal reports, written in haste. They are full of abbreviations and have a good many minor typographical errors, some of them involving spelling and punctuation. The minor typographical errors have been corrected, but abbreviations have been retained, unless their meaning is unclear, so as to preserve the flavour of the original document. Although Dexter's spelling is somewhat idiosyncratic and his capitalization variable, both have been preserved so as not to tamper with the text unduly.

The memoranda are often laconic because they were written by one informed person-Dexter-to two other informed people - Dafoe and Ferguson. Each chapter, therefore, is prefaced by an intro duction providing a general context for the memoranda. For example, Dexter rarely mentions what was happening on the battlefronts

of World War II, although these events were commonly the chief formative influences on the policy-makers in Ottawa. In some cases we have also provided explanatory notes to a particular memorandum so as to place it in its immediate context. In addition, still more specific information is provided in headnotes. Dexter concentrated all his energy on understanding the political scene in Ottawa during the war. We think he did his work well, and hope the explanatory material elucidates and does not overwhelm the memoranda.

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4 Dexter to Alice Hunter, undated [February 1924], DP, QUA.

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6 Dexter to Alice Hunter, 15 January 1924, DP, QUA.

7 Dexter to Alice Hunter, 11 January 1924, DP, QUA.

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9 Dexter to Alice Hunter, 8 January 1924, DP, QUA.

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14 Dafoe to Sifton, 25 July 1927, in Ramsay Cook, *The Dafoe-Sifton Correspondence* 1919-1927, vol. 2 (Altona, Manitoba: Manitoba Record Society, 1966), p. 277.

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17 G.V. Ferguson, unpublished private papers.

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21 J.W. Dafoe, "A Foreign Policy for Canada," *Queen's Quarterly,* 42, summer 1935, p. 163.

22 Dafoe to Dexter, 30 October 1936, Dafoe Papers, NAC.

23 G.V. Ferguson, unpublished private papers.

24 Dexter to G.V. Ferguson, 20 September 1938, DP, QUA. Pearson, in *Mike: The Memoirs of the Rt. Hon. Lester B. Pearson*, vol. 1: 1897-1948 (Toronto: University of Toronto Press, 1972), does not mention Dexter at all. John English, in *Shadow of Heaven: the Life of Lester Pearson, vol. 1:* 1897-1948 (Toronto: Lester and Orpen Dennys, 1989), does quote from Dexter's letter to Ferguson, 12 November 1937, DP, QUA, in which Dexter notes that Pearson was "thoroughly disheartened and disillusioned" with External Affairs, but does not discuss how helpful that made him as a source of information to Dexter.

25 Dexter to G.V. Perguson, n.d., DP, QUA.

26 G.V. Ferguson, unpublished private papers.

27 *Winnipeg Free Press*, 30 September 1938, reprinted in Morton, *Voice of Dafoe, p.* 158.

28 James Gray, *Troublemaker* (Toronto: Macmillan of Canada, 1978), pp. 16-18. G.V. Ferguson, unpublished private papers, chapter on Dafce, p. 10.

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CHAPTER I
THE PHONEY WAR, SEPTEMBER 1939 TO MAY 1940

The signing of the Russo-German Non-Aggression Pact on 23 August 1939 removed the last obstacle to Adolf Hitler's ambition to make Nazi Germany the dominant power in eastern Europe. Poland, it was suddenly clear, was about to share the fate of Austria and Czechoslovakia. An emergency session of the British Parliament was called, and Prime Minister Mackenzie King announced that if war broke out the Canadian Parliament would be summoned at once.

On September 1, at 4:45 in the morning, German troops crossed the frontier into Poland; an hour later German planes were bombing Warsaw. Later that morning Mackenzie King announced that the Canadian Parliament would meet on September 7, and he stated that if the United Kingdom went to war to resist German aggression, his government would immediately seek the authority of Parliament to have Canada enter the war at Britain's side. Accordingly, after Britain and France, in fulfilment of their pledges to Poland, declared war on September 3, Mackenzie King laid his policy before Parliament on September 8 and obtained virtually unanimous approval for Canadian participation. On September 10 George VI signed a proclamation declaring a state of war to exist between Canada and the German Reich.

The Canadian declaration of war thus came a week later than that of Great Britain. Ostensibly this delay was to honour Mackenzie King's pledges that "parliament will decide" and to demonstrate that Canada was no longer a colony but a self-governing nation capable of making up its own mind on questions of war and peace. More usefully, the weeks delay allowed the United States to ship war supplies to Canada before September 10, when the American Neutrality Act made such shipments to countries engaged in war illegal.

Canada entered the war united but far from ardent. Among Canadians, no less than among their allies, the First World War had

extinguished any enthusiasm for modern warfare, and the memory of that bitter experience gave rise to a determination that the second war was not going to be like the first. It was a widespread sentiment and constitutes a major theme in the Dexter memoranda in the early months of the war. Dexter recorded it from three sources, beginning with his report on 8 September 1939 that the British government "has no intention of repeating the errors of 1914-1918"; that is, they meant to avoid trench warfare. Again, in the memorandum of 19 December 1939, T.A. Crerar, minister of mines and resources, on a wartime mission abroad reports "general agreement in Britain" on the desirability of avoiding inflation: "They blame the rise in living costs in 1914-1918 for the 1926 general strike and they do not want anything like that to happen again." In an interview with J.G. Gardiner, minis-ter of agriculture, Dexter reports his account of how J.W Flavelle had made such enormous profits on the sale of bacon during the First World War: "Jimmy says things are going to be different this time." Profiteering, then, was to be avoided, as were inflation, excessive borrowing, and a huge war debt. Above all, Canada's commit-ment to an expeditionary force was to be carefully limited so as to avoid a crisis over army reinforcements and another racial split over conscription.

These sentiments found expression in the government's initial war measures. Canadian policy was set forth by the prime minister on September 8, and it focussed on the defence of Canada and cooperation with Great Britain, emphasizing economic co-operation and offering a firm pledge against conscription for overseas service. Its program, hastily improvised in the first month of the war, called for intensive air training in Canada, the recruitment of two infantry divisions-one for service overseas - and a special war appropria-tion of $100 million to cover the first six months of war. In addition, the government put in place two important instruments of economic regulation: the Wartime Prices and Trade Board, designed to prevent hoarding and profiteering and to guard against inflation; and the Foreign Exchange Control Board, to prevent a flight of capital from Canada and to conserve Canadian holdings of American dollars. Parliament also made statutory provision for a new ministry, the Department of Munitions and Supply, but the government did not immediately implement the legislation, preferring to purchase war materials through the War Supply Board, a more powerful version of the Defence Purchasing Board which had been set up before the war.

Mackenzie King also strengthened his cabinet. J.L. Ralston was brought in as minister of finance to succeed the ailing Charles Dunning, and Norman Rogers was promoted to be minister of national defence in place of the inadequate Ian Mackenzie. Beginning in mid-September all war issues requiring a cabinet decision were dealt with by the cabinet war committee, a small inner cabinet made up of the most important ministers.

Nearly nine months elapsed before these plans for a moderate, limited war effort were challenged by the harsh realities of active war. Dexter's memoranda in the first chapter cover precisely this period of the phoney war. His first memorandum is dated 8 September 1939 and deals with the imminent Canadian declaration of war against Germany. Though the war tends to dominate the memoranda in the succeeding months, it is a most peculiar war. The enemy nearly drops from sight. After the conquest of Poland, Hitler made no warlike moves for months, hoping perhaps that Great Britain and France would forget about the matter.[1] The war, as Dexter actually observes it in Ottawa, is dominated by the struggle of British and Canadian officials to pay the least possible amount in support of the British Commonwealth Air Training Plan. Prime Minister King initially welcomed the idea of establishing air training schools in Canada, because they would occupy large numbers of Canadians at home rather than abroad, and this would minimize the chances of conscription, a dreaded issue. His enthusiasm waned sharply in October 1939 after the arrival of the British delegation headed by Lord Riverdale. The British, eager to preserve their limit-ed supply of dollars for essential war purchases, too easily assumed that Canadians would pay a large share of the costs; the Canadians, extremely economical after years of depression, shied away from large expenditures. Agreement on a scaled-down version of the plan was achieved by 17 December, but not before ill feelings had been generated. Dexter catches something of the atmosphere when he reports the unguarded comment of a member of the British mission: "the best thing that could happen to parliament hill would be for the Germans to drop a large bomb on top of it, preferably when the British missions were away."[2] Had the war been more urgent, there would have been less time to quarrel about money.

The same spirit of hard bargaining informed negotiations over British purchases of Canadian wheat. In November 1939, T.A. Crerar, minister of mines and resources, led a delegation to Great Britain, to discuss financial questions in general and wheat sales in

particular. Crerar was a westerner, and he was backed by a government keenly aware of "the conditions of Canadian producers" who had suffered for years from drought and low prices. The British in their turn were acutely conscious of the impact of high wheat prices on the cost of living for the working classes.[3] The Canadians there-fore struggled to get the most they could for their wheat, while the British were determined to pay as little as possible. It was not until May 1940 that the British made a large purchase of Canadian wheat at rather more than the market price. The phoney war encouraged officials to think that war could be conducted with a rigorous attention to costs, and it allowed them nine months to do it. That the war had a reality all its own, far beyond considerations of thrift, is suggested in Dexter's accounts of sabotage, both real and apprehended.

While economical planners were discussing how much money Canada could allocate to the war effort, serious preparations for war were underway. They were chiefly political. Maurice Duplessis, head of L'Union Nationale and premier of Quebec, called an election on 25 September, ostensibly on the ground that the war, and particularly the War Measures Act, endangered the provincial autonomy of Quebec. He was a canny politician and no doubt sensed that anti-war sentiment in the province, properly channelled, would secure his party's re-election. He bargained without C.G.(Chubby) Power, also a canny politician, and a member of the federal cabinet from Quebec. Power quickly persuaded Ernest Lapointe, King's closest associate and the senior cabinet minister from Quebec, and PJ.A. Cardin, the federal minister of public works, that this was one challenge that had to be taken seriously. Duplessis seemed unbeatable. Dexter records the gloomy anticipations of the Liberals in a memorandum on 9 October 1939-their promise to resign from the federal cabinet if Duplessis were re-elected was a daring, not to say rash, one. However, hard Liberal organizational work and the widespread reflection among voters that Lapointe and the French Canadian federal cabinet ministers were more likely to provide an effective defence against wartime conscription than Duplessis, resulted in an astonishing overturn. In the provincial election of 25 October, 70 Liberals under Adelard Godbout were elected, as compared with a mere 15 L'Union Nationale candidates. Many English Canadians interpreted the vote as signifying that the whole country was behind the war, but Grant Dexter was not among them. Even before the election, he wrote, "to represent a Liberal victory as a great triumph for national unity would be dishonest. I was just as stunned as you were when Chubby and Cote got right down to brass tacks."[4]

The federal Liberals were delighted at the results of the Quebec provincial election, for it liberated them from the necessity of conducting the war obstructed at every turn by Duplessis; at the same time, their pledges against conscription were reinforced by the campaign and its result. For the federal Conservatives, and particularly for their leader, Dr. R.J. Manion, the Quebec election results were completely frustrating, as Dexter makes clear in his editorial report of 1 November 1939. And for them, bad rapidly turned into worse. Prime Minister King sprang a federal election with unprecedented suddenness. He called Parliament on January 25 only to announce its dissolution for an election on March 26. King, however, had promised Manion that there would be one final session before any election.[5] Indeed, everyone understood this, and all the opposition was outraged at being gathered together only to be dismissed. Dexter captures the spirit of the occasion very well indeed in his memorandum of 14 February 1940, when he describes the reaction of Agnes MacPhail.

Dexter's memorandum of 31 January 1940 shows that King's decision to dissolve Parliament instantly was made at the very last minute. When it came to winning elections, the prime minister was never encumbered by gentlemanly scruples. On this occasion, his anxiety over the activities of Premier Mitch Hepburn of Ontario led him to take drastic action. Hepburn, a maverick Liberal at odds with the federal Liberals since 1936, had rapidly emerged as a hyper-patriot after the declaration of war, and on 18 January 1940 he presented a resolution in the Ontario legislature "regretting that the federal government at Ottawa had made so little effort to prosecute Canada's duty in the war in the vigorous manner the people of Canada desire to see."[6] If Duplessis had been one thorn, Hepburn was certainly another, and one that had to be extracted firmly. Liberal victory in a federal election was the definitive way to end Hepburn's pretensions to speak for "the people of Canada" and, even more important, to head off those who were sure to alienate French Canadians by pushing for a war effort that extended "to the last man and dollar."

King's unscrupulous tactics were rewarded with a smashing victory at the polls in March. The Liberals won 184 seats to the Conservatives' modest 39. The Conservatives were perhaps weakened by the leadership of Dr. Manion who had relatively little in the way of organizational skills to offer after the failure of his projected alliance with Duplessis. Dexter, admittedly a confirmed Liberal writing to confirmed Liberals, makes this pretty clear in his memoranda

of 27 January and 7 February 1940. Of course, the *Free Press* was delighted at the "grand result,"[7] but it is entirely typical of the spirit of the *Free Press* that Dexter should write almost at once after the election: "But it is bad having no opposition & I move that we set ourselves up to be fairly critical as & when opportunity or need arises. We should prod them along-don't you agree?"[8]

The intense political activity that filled the vacuum provided by the phoney war was in itself an important preparation for war. Extremists like Duplessis and Hepburn were hurried off the political stage almost before they had a chance to express themselves on the subject of the war. The election of March 26 established so strongly the right of the federal Liberals to control the war effort that later cries for a "National" government were always unpersuasive. A "National" government was exactly what the Liberals formed.

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5 Donald Creighton, *The Forked Road. Canada* 1939-1957, The Canadian Centenary Series (Toronto: McClelland and Stewart, 1976), p. 11. J.L. Granatstein, *Canada's War. The Politics of Mackenzie King's Government 1939-1945* (Toronto: Oxford University Press, 1975), p. 74.

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8 Memorandum, 28 March 1940. DP, QUA.

MEMORANDA

1. 8 September 1939 [DP, QUA].

[The source of information for the following memorandum is not disclosed.
The United States' neutrality legislation prohibited American citizens from selling or shipping arms to any nation engaged in war. Cardinal J.M.R. Villeneuve was the Roman Catholic archbishop of Quebec. Ernest Lapointe was minister of justice and senior French Canadian representative in the cabinet. Major-General L.R. LaFleche, deputy minister of national defence, had been widely criticised for his part in the letting of the Bren Gun contract to the John Inglis Company Limited without public tender. The criticism was so widespread and intense that a Royal Commission under Justice H.H. Davis of the Supreme Court of Canada was appointed. Mr. Justice Davis found no evidence of corruption but advised the government that the making of contracts be entrusted to "an expert advisory group of competent businessmen." The government followed this advice by creating the Defence Purchasing Board. In September 1939, the Defence Purchasing Board was replaced by a more powerful body, the War Supply Board, which was in turn succeeded by the Department of Munitions and Supply in May 1940. As to LaFleche, he was at this point being eased out of the Department of Defence. Ian Mackenzie was minister of national defence from October 1935 to 19 September 1939. J.L. (Layton) Ralston, minister of national defence, 1926-1930, was appointed minister of finance 6 September 1939, replacing the ailing Charles Dunning.]

DECLARATION OF WAR: Intention is to do something after parliament adjourns. Exactly the form the proclamation will take is not yet decided. No declaration of war has yet been made for these reasons:

1. King construes his past pledges that parliament must decide in terms of a free discussion in parliament with the declaration to follow.

2. Until the Quebec members have settled down and voted for the government, for war supplies etc., it is believed that to throw a war declaration into the House would strengthen the isolationist group now taking form.

3. Canada is not covered by the neutrality proclamation because Canada is not yet technically at war. The government have taken instant advantage of the opening and are buying as much as is avail able for immediate delivery from the U.S. It is quite possible, if the goods available warrant it, that the government will string out this session for more than a week and then delay the proclamation possibly another week.

The cabinet so far is solid. The French contingent have come all the way. The Cardinal [*Villeneuve*] has declared to Lapointe for participation. The French Canadians will agree to an expeditionary force but would prefer to delay the declaration until French

Canadian opinion has had time to adjust itself to the war. There is no objection in Quebec to Canada sending as many airmen, technicians, equipment, supplies etc., as possible. The scare-points in Quebec are conscription and union government and, to a much lesser extent, the expeditionary force. The point with respect to the expeditionary force is that it would mean a Canadian army which would have to be maintained and this would ultimately mean conscription. They associate a union government, also, with conscription.

The British government has asked for air force and supplies, but do not want an expeditionary force as yet. They expect a long war and have no intention of repeating the errors of 1914-18. They will not sacrifice their manpower in desperate efforts against heavily fortified positions, unless they can discover weaknesses which promise success. They will fight the war with the blockade, with shells, air force etc.

There was desperate confusion here last Sunday night. Ian Mackenzie lost his head and permitted his officials, without cabinet sanction, to order the enlistment of 75,000 men on active service. King intervened, but it was too late to countermand the orders. King gave Ian and the general staff hell Wednesday morning, and the department is now instructing militia units everywhere to ease off on enlistments. The psychological effect in the country is reported to be deplorable. Enlistments have been very good. There were some 16,000 by Tuesday night. How many now, the department isn't sure.

Lafleche is being given three months' sick leave. His job is being divided into two jobs and first class businessmen are being appointed. Ian will not be touched. King wanted Ralston to take that portfolio but Ralston declined out of loyalty to Ian. It is felt that the new appointments will keep Ian on the line.

A Munitions and War Purchasing department will be created forthwith, under Ralston. The Defence Purchasing Board and the 5 per cent profit restriction clause will be dropped. The new department will not be hampered by such a provision but there will be extremely heavy taxation on war profits-possibly 100 per cent. This will require working out, but the line of thought is that you will average profits over 5 years and make the average the limit. There will have to be provisions for new companies and for lame ducks who have had no profit. ...

2. 18 September 1939 [DP, QUA].

[The source of information for the following memorandum is not disclosed.
The Bren Gun controversy had shown Ian Mackenzie to be a poor administrator and had brought him sharp criticism in the press. On 19 September 1939 he was shifted from National Defence to Pensions and National Health. Norman Rogers was promoted from Labour to National Defence. Senator W.A. Buchanan was publisher of the *Lethbridge-Herald.*]

The movement against Ian Mackenzie is rapidly assuming avalanche proportions. Most of the ministers to whom I have spoken this past week are agreed that Ian must go. Senator Billy Buchanan devoted the better part of last week to a tour of the ministers, telling them that unless something were done about Ian there would be a revolt in the west.

3. 27 September 1939 [DP, QUA]

[Information in the following memorandum came from Charles G. (Chubby) Power, postmaster-general, and J. G. (Jimmy) Gardiner, minister of agriculture, and a former premier of Saskatchewan.
Premier Maurice Duplessis of Quebec called a provincial election for October 25, believing that anti-war sentiment in the province would assure his re-election. The Quebec ministers, led by Ernest Lapointe, interpreted this as a challenge to their position and announced that they would resign if Duplessis were returned to power.]

I was going to write on Quebec, having discussed the situation with Chubby and the rest of the Quebec contingent this morning. But Duplessis is making a speech tonight and it would be silly of me to write in advance of it.

The boys, having surveyed the field, are just fairly hopeful. They find that Duplessis is most unpopular and would have had a hard time winning in the normal course. The intervention of Ottawa, however, completely changes the picture. Duplessis is now sure of the nationalist anti-war vote. This will bring about a completely new alignment and they rather think Duplessis will gain on the shuffle, will be harder to beat.

They think, too, that Duplessis did not foresee Lapointe's reaction and may back right away from the war issue. If so, they have no idea what they would do. The whole thing would then become silly. ...

A desperate day, here, and I think I've forgotten most of what I should tell you, and the mail goes in a few minutes. A long talk with Gardiner. ... Jimmie has committed himself to the packers and the cheese people. The commitment is in the form of regulation of the hog and

cheese industries. After committing himself he finds he cannot carry the cabinet - a position which he finds acutely embarrassing and from which I guess the cabinet will have to rescue him by knuckling under. He has got control of all foodstuffs so far as war supply goes, putting the War Supply [Board] out of this picture. He has got this privately from King, without the cabinet knowing of it, so I cannot use it yet. ...

4. 9 October 1939 [DP, QUA].
[Information in the following memorandum came from C.G. (Chubby) Power.]

All my information from Quebec is that Duplessis will win hands down. That is the view of Power and the boys. It is a bitter pill but they are preparing to down it. His majority should be cut down substantially but some of them do not even think much headway can be made here. Maybe the campaign will swing into different channels as it develops, but it begins to look to me as if our lads were up against an impossible job.

Mind you, they believe, and most others I talk to believe, that Quebec would support Lapointe and co in a Dominion election. But they will vote this time, provincially, for Duplessis.

The general view here is that a Federal dissolution will be inescapable. If the Libs could hold their own in Quebec, they would have a mandate to go forward and to steam roller Duplessis if they needed to do so. As reports come in right now, there seems to be no other possible outcome. It isn’t even going to be close. And, if it continues to slide that way, would there be any purpose in covering it at first hand? I can’t remember clearly whether or no you had in mind my spending some days there towards the end of the fight.

5.14 October 1939 [DP, QUA].
[Information in the following memorandum came from Chubby Power; Phileas Cote, Liberal organiser for the Quebec City area; and Senator Norman Lambert, president of the National Liberal Federation.
The Liberal premier of Ontario, Mitchell Hepbutn, had been feuding with King for four years. T.H. Hogg was chairman of Ontario Hydro. The Financial Post had been severely critical of Mackenzie as minister of national defence, especially for his handling of the Bren gun contract.]

I agree that there is no profit in going to Quebec. If one wrote the facts as they are, it would only aggravate disunity, and to whitewash the

campaign might easily land us in worse trouble later on. If Quebec is as the boys say it is-against the war-we may well have trouble later on, and to represent a Liberal victory as a great triumph for national unity would be dishonest. I was just as stunned as you were when Chubby and Cote got right down to brass tacks, and I think my political education about Quebec can be carried on more beneficially at long range.

Jimmie Gardiner is cutting quite a figure behind the scenes in Quebec. He and not Norman [*Lambert*] raised a campaign fund, chiefly in Toronto. I am told he raised about $100,000 but whether in cold cash or in promises I can't find out. ...

Mitch: He has not abated one jot of his enmity to King and the government. His trip to Ottawa to offer his services was sheer bluff. He went back to Toronto and wrote a memorandum setting out that he had never seen such a hopeless aggregation as the King government. There is only one man who is worth a damn, says Mitch, and that is Ralston. The others are completely hopeless, and Canada will never play her part under such a government. As evidence of King's complete unfitness for the job, Mitch said that, at a great sacrifice to himself, he told King he would withdraw his opposition to the St. Lawrence waterways and let it go ahead. King said he would think it over. Imagine, says Mitch-think it over. Behind this change on the waterways, I gather that there is anxiety re a power shortage in Ontario. Hogg has scared Mitch and Mitch came through at Ottawa. If King wants to do it, the way is now open and most of the money, if not all, will be put up by the U. S. ...

Mitch's memo has very promptly been sent by some loyal Grit to King. Norm also has a copy. There isn't any doubt of the accuracy of the foregoing. The drive from Toronto to get rid of King is not halted.

Norm thinks that the moment the Quebec election is over Mitch will resume sniping.

A note from Ian Mackenzie from Virginia came in Friday beseeching the government to clap the censorship on the *Fin[ancial] Post.*

6. 1 November 1939 [DP, QUA].

[Information in the following memorandum came from Norman MacLeod, British United Press representative in the Press Gallery, a strong Conservative in whom Conservative leaders confided.]

The greatest effect of the Quebec election will be felt by the Conservative party.

To appreciate the position, it is well to go back to the National Conservative convention held in July, 1938, when Dr. [R.J.] Manion was chosen leader. Dr. Manion was elected by the votes of Quebec-Duplessis' Quebec. A great many of the English-speaking Conservatives did not like this and the spectacular gains of M.A. MacPherson in the leadership polls indicated their views.

Yet the Conservative party as a whole accepted Dr. Manion. They did not cheer for him, but they accepted him. They did so, no doubt, because the Manion strategy was simple and convincing. If he could muster the normal Conservative strength in the English-speaking provinces, particularly in Ontario, and, with Mr. Duplessis' help, could make substantial inroads into Quebec, he was certain of victory.

Any party is willing to swallow a thing or two for victory. Dr. Manion or his publicity men kept the appetite well whetted. The party, under Manion, was continually being touted as sure of any where from 30 to 45 seats in Quebec. Even so, a surprisingly large section of the English-speaking wing of the party did not like the proposition and said so.

Dr. Manion's strategy, however, took no account of war. In retrospect it is fair to say that the outbreak of war made Dr. Manion's task more difficult. The English-speaking Conservatives demanded, passionately, a loyalist policy. Quebec or no Quebec, the Conservative tradition must not be broken. On the other hand, Mr. Duplessis became increasingly querulous of the war. And Dr. Manion, no doubt feeling rather like a chap who is riding two horses and realizes, suddenly, that they are drawing apart, did his utmost to maintain his position. He supported the King government and he said nothing that would compromise him with Mr. Duplessis.

Then came the [*Quebec*] election.

Dr. Manion decided to try Atlantic City. The wild waves of the Atlantic perhaps seemed tranquil and restful after what confronted him at home. During the campaign many Conservatives believed Dr. Manion should publicly support Mr. Lapointe and break with Duplessis. But Dr. Manion did not take their advice. He was game; he played the cards out.

The defeat of Duplessis, naturally, shatters the Manion strategy. Whether or not he would have been better off had Mr. Duplessis won-considering the kind of a campaign that would have elected

Duplessis - is a moot point. The fact is that Mr. Duplessis lost and with his defeat the argument that Dr. Manion's policy would net the Conservatives 30 to 45 seats in Quebec vanished into thin air. The best evidence that Dr. Manion realizes that is to be found in the terse post-election statement he issued –"Let us get on with the war", or words to that effect.

Meantime, the Conservatives in Quebec are surveying the ruins of a great hope. There are signs of a clean break with Mr. Duplessis, of the founding of a new Conservative organization which must now be built from the ground up. The Old Guard in Quebec are bitter in denouncing a leadership which threw the entire Conservative organization in the province into Mr. Duplessis' hands.

It is difficult to see how Dr. Manion can escape from his present situation without facing a revolt. The French-speaking wing of his party has been thrown into confusion and the organization destroyed. The English-speaking wing, which has never really believed in the Manion strategy, distrusted it from the outset, is thirsting for blood.

Whether Dr. Manion can ride out the storm, or how he will attempt to do so, will become apparent as time passes. His post-election statement indicates an intention to take out the Old Flag, unhappily neglected since July, 1938, dust it off and hoist it aloft. But in their present temper, his followers, or a substantial number of them, are unlikely to be won over. As Mr. MacLeod says, Dr. Manion's prospects are very bleak indeed.

7.14 November *1939* [DP, QUA].

[Information in the following memorandum came from Graham Towers, governor of the Bank of Canada, and chairman of the Foreign Exchange Control Board; Grant MacLachlan, private secretary to Norman Rogers, minister of national defence; James R. Murray, chief commissioner of the Canadian Wheat Board, 1935- 1937 and an important adviser to the cabinet on wheat policy; James G. Gardiner; Arthur Irwin, associate editor of *MacLean's;* and Grattan O'Leary, associate editor of the *Ottawa Journal.*

C.D. Howe was minister of transport. Colonel Henri Desrosiers was acting deputy minister of national defence. After three months' leave of absence from National Defence, General LaFleche was appointed special Canadian military attache in Paris, where he served until July 1940. J.V. Rank was director of the Imported Cereals Division of the British Ministry of Food; George McIvor succeeded J.R. Murtay as chief commissioner of the Canadian Wheat Board in 1937. A.M. Shaw was dean of agriculture at the University of Saskatchewan and a member of the Canadian Wheat Board under Murray, and was subsequently appointed director of the marketing service, Department of Agriculture. Joseph W. Flavelle was general

manager of the William Davies Co., a leading Canadian meat packing firm during the First World War. Floyd Chalmers was editor of the *Financial Post.* Colonel Horace Hunter was president of the MacLean-Hunter Publishing Company. Walter Thompson was chief censor for Canada.]

I am being cramped a goodish bit by the censorship regulations and today I damn near upset everybody's applecart. The item re the waiving of foreign exchange regulations on wheat trading would have raised hell. Towers has agreed to withdraw these regulations so far as the market is concerned, with the exception of speculative trading from the U.S., provided that everybody keeps it dark. If it becomes known then the rest of the country, he thinks, will demand to be treated in the same way and his control board will fold up. So I cancelled the item. I had sent it not knowing how cherished a secret it was.

Re LaFleche: I asked Grant MacLachlan, Norman Rogers' secretary, to ask Norman about Lafleche. I told him that rumors were about and were causing anxiety. He phoned me the next day to say he had talked it over with Norman and that Norman told him to tell me that we need not worry. I got the clear impression that he is opposed to having Lafleche back. He said that LaFleche's fate had not yet been discussed in cabinet and would not be until his three month's leave of absence was finished-sometime late in December, about the 20th. Gardiner is opposed to LaFleche's return and so is Howe. I think it is safe to say that all the English-speaking people are against LaFleche and that the only quarter likely to support him is Quebec. But while I've not checked with Lapointe, I do know that LaFleche is a Tory and was appointed by R.B. [*Bennett*]. And also, you will recall the references Lapointe made in his recent campaign to Desrosiers. Lapointe pointed out that the Quebec people could rely on Desrosiers as being absolutely anti-conscription. I do not think Lapointe would have used such language if he had any idea that his appointment was a temporary one. Therefore it seems pretty safe to say that Lafleche is out.

Re wheat: I am going to see J.R. Murray in half an hour and write this unaware of what transpired at today's meeting of the sub-committee of the cabinet. The position up till today was that while Rank has been cutting the skin off market prices at Winnipeg-yet buying substantial quantities of wheat-somebody in London, higher up than Rank, proposed to George McIvor that Britain would be glad to buy 100 or 110 million bushels of wheat, to be delivered over the next eight months of the crop year, at about 85 cents, Fort William. It was suggested, of course, that we

might reciprocate by closing our market.

This came as a frightful shock all round. J.R. has been trying to figure out what the British hoped to gain by it and his view is that they are “throwing a sprat to catch a mackerel”; that they will hand us an extra 5 millions on wheat and hook us for a hundred millions or more somewhere else-say on the air training scheme. There was the thought, too, that only the British know how long they can continue to draw wheat from Australia and Argentina, and once they forego these sources of supply, our bargaining position might be strong enough to exact a price higher than *85* cents. This offer will be nuts to James Garfield Gardiner who wants to close the market anyhow. Garfield, unquestionably, is hand in glove with the wheat pools - the cad. He says that the argument for closing is as follows:

There is but one real buyer [*Great Britain*] and he won’t buy while the market is open. Therefore there is no use keeping the market open, as you cannot have a market without a big buyer. His facts are quite wrong, of course, but he ended up by saying that his was the opinion that should tip the scales as he and only he must meet the embattled farmer in the field. Wheat is his baby. You people in Manitoba, he said, don’t grow wheat in quantity any more. You represent the trading, the marketing interest. You are all grain exchange people, whether you realize it or not.

Jimmy is cooking up a nice deal to sell 2 million long cwt of bacon to Britain in 1940 at a price which will net back better than *9* cents per lb to the producers. He will need a marketing board and complete controls to make it work and, particularly, to keep the packers from dipping too deeply into the till. Jimmy has shoved the British up from 82 shillings to about 95. He wants to close but Dean Shaw, in an excess of enthusiasm, won’t present Jimmy’s offer because, he cables confidentially, he is sure he can lure them higher. Meantime a terrific hog surplus impends in the U.S. and will smash their prices so low that our market - despite exchange and tariff - will be flooded and (failing Galahad Gardiner and his regulations) our market busted. Jimmie is dealing swiftly and vigorously with Mr. Shaw and I expect will be able to announce his deal when he speaks at Winnipeg. If he doesn’t, the thing has probably got off the tracks.

Jimmy says that all imports have got to be blocked. In the last war, he says, old Joe Flavelle did a deal with the British on bacon, figuring the price on the current market picture in Canada. After the deal was done, a surplus developed in the U.S. and busted prices on both sides of the line-vastly to the enrichment of old Joe, who bought the hogs more

cheaply than he had hoped and sold at the set price. Our hog raisers, however, didn't do so well. Jimmy says things are going to be different this time.

... I read Chalmers' notes on his interview with Rogers, and, likewise, I talked with Art Irwin after his session with Rogers.

The thing began when Walter Thompson phoned Chalmers and asked him to lay off [*criticizing the Department of National Defence*]. Walter talked as if the lightning might strike the *Financial Post* but they did not weaken and Walter did not go through with the delicate threat he had conveyed. Walter is fed up with the whole censorship business. He ended up by getting good and tight and summoning Grattan, who had written a nasty little piece about the censors. Walter was profoundly moved and after a good long drink of whisky he told Grattan that he must never darken his (W's) door again. It appeared to be great fun all round. Walter then took himself off to Atlantic city, pausing in Montreal long enough to phone Chalmers and when Chalmers refused to back up (or rather when old [*Colonel Horace*] Hunter refused) Walter arranged the interview with Rogers.

This interview, briefly, showed Norman as being extremely narrow and partisan and almost eager to take full responsibility for everything Ian [*Mackenzie*] has done. Best not to mention this except to V [*ictor Sifton*]. Norman argued every case of the *Financial Post* on the narrow legalistic basis. The officers' mess in Vancouver was perfectly justifiable. Had not the exchequer court fixed the price? But, says Chalmers, is it not conceivable that the taxpayers would prefer to spend only $15,000 on an officers' mess? That is not the point at issue, counters Norman. On the Interprovincial Trading company contract, he defended what was done because their tender was 1 percent lower than General Electric's and so on. He took exactly the same line with Art. I've always realized that like most Maritimers, Norman and Ralston are intensely partisan and I am sorry he has taken this line. It may become impossible to defend him and he will tend to line up the cabinet back of Ian.

8.18 November 1939 [DP, QUA].

[Information in the following memorandum came from George G. Coote, M.P. from Alberta, 1921-1935, and a director of the Alberta Wheat Pool. Coote was also appointed a director of the Bank of Canada in 1936. "Dynamite" was Dexter's nick-name for J. R. Murray, the explosive ex-chairman of the Canadian Wheat Board.]

... Despite our huge wheat stocks, I agree that prices are likely to move up, particularly if the U.S. winter wheat crop situation becomes worse. I am told, however, that they frequently plant this area to spring wheat, if the winter crop fails, so that it may be much too soon to allow much weight to this condition. The open market, it seems to me, is the best shield which the producers can have to protect them against the kind of a deal or deals which would result from government control and sale of wheat. But judging by conversations with such westerners as Geo Coote, I take it the feeling of frustration and anger on the prairies is formidable. If Coote represents an average viewpoint, and I think he does, the farmer would like to see reduced sales at a higher price and thinks the govt should take over the wheat and fix a price of say $1. or $1.15 and tell the world to pay it or go without. I find a fairly firm point of view in support of such a policy, leading inevitably to controlled production, restricted largely to the domestic market and a price of perhaps $1.75 per bushel. It is better, they argue, to grow and sell 60 million bushels at $1.75 than 400 millions at a much lower figure. They would pursue the same course with respect to butter and cheese and other products. The origin of this kind of thinking, of course, is the U.S. and, although I am new to the field, I take it that there is a steadily growing flood of restrictionist propaganda crossing the border. I hear much, gossip-wise, about the U.S. tobacco and cotton schemes. The man in the front line ... seems willing to surrender political liberty on the chance, which looks good to him, of obtaining economic security.

I suggest that as this situation develops, if it does develop, we should give it very objective and complete publicity. I think it is obvious that unless this case is presented as fully and honestly as possible-and then answered-those who are proclaiming the doctrine of restriction will continue rapidly to gain recruits. We must try and prove to them that their schemes are false and would land them in difficulties much greater, even, than those which now oppress them.

I will stand by, as you suggest, and be available for any writing I can do. I am counting on having Dynamite available if the wheat situation again becomes acute, as it may well do at any time.

9. 30 November 1939 [DP, QUA].

[Information in the following memorandum came from W.C. (Clifford) Clark, deputy minister of finance; Prime Minister Mackenzie King; Senator Norman Lambert; and Grattan O'Leary.

Lord Riverdale was head of the British mission sent to Ottawa to negotiate the terms of the British Commonwealth Air Training Plan. On 3 September 1939, the Canadian government, acting under the War Measures Act, passed 64 Orders-in-Council known as the Defence of Canada Regulations. These regulations equipped the government with extraordinary powers of arrest, detention, and censorship in order to deal with problems of wartime security. Loring Christie was the Canadian minister, and Lord Lothian the British Ambassador, to Washington. Lieutenant-Colonel Sir John Greenly was controller general of the British Supply Board in Canada and the United States, and a member of the Riverdale mission. Nationalist prejudices prevent Dexter from giving a completely fair account of the genesis of the air training plan. The British did not arrive in Canada with complete plans but worked them out after their arrival, producing large cost estimates and much hard bargaining between the British and the Canadians. Major General H.D.G. Crerar was the chief of the general staff. Alex Johnston was formerly deputy minister of the federal department of marine and fisheries, and he became a trusted friend and confidant of Dexter and numerous Nova Scotia Liberals. Johnston was often referred to by his nickname, "Ah Well," a phrase he was fond of using. The *Repulse* and the *Hood* were two of the largest British battleships. Wallace Campbell, presi-dent of the Ford Motor Company of Canada, was brought to Ottawa as chairman of the War Supply Board which had replaced the Defence Purchasing Board headed by R.C. Vaughan, a CNR executive. Walter Herbert was secretary of the National Liberal Federation. T.A. Crerar was minister of mines and resources.]

Dorothy C has had word that her dad [*TA. Crerar*] will be in London much longer than he expected to be. They do not expect him home now until just before Christmas. Negotiations in London, apparently, are centering more and more upon the financial side. I gathered from a talk with W.C. Clark last night that the British would like to keep their investments in Canada as a kind of reserve war fund and to have us begin at once providing them with credits. Clark intimated very clearly that everybody here is opposed to this course. We want our bonds back first and after we have repatriated all our own stuff we will deal with credits. He said one thing that surprised me-that the second stage of the operations might well be the repatriation of Canadian debt in the U.S. Clark is very keen to come out of this war without foreign debt.

I gather that Graham Towers' sudden departure for London is concerned with this development there. He has gone to advise Mr. Crerar and I believe is even more firmly rooted in his ideas than Clark, with whom he agrees.

King's press conference was extremely interesting. ... King deliberately took occasion to side swipe the British mission. He kept

on referring always with a slight hesitation, as if he could not rightly remember the name, to Lord Riverfield, and again to Lord Riverbank. He said that he had been rather surprised at the freedom with which members of the British mission had talked in Canada. They had finally reached the point, he said, where some of "my colleagues" and "myself' had pointed out to them that perhaps if any talk was to be done in Canada, it would be best that it be done by members of the Canadian government. "We felt quite able to do any talking that might be necessary," he said with a most entrancing smile.

This matter of war orders admittedly was difficult to explain to the public. But in fact the explanation was simple. The British were not in a position to place orders. And when they did decide to place orders it was usually discovered that one or two reasons existed which made action impossible: (1) some essential blueprint or pat-tern would be missing and would have to be brought out from England, entailing a very long delay; (2) the approval of the British treasury had to be obtained. He had never been able to understand why the British purchasing authorities at home did not get the approval of the treasury before instructing the war mission in Canada to make the purchase. Indeed, he said, there seemed to be very little co-operation between the British treasury and the purchasing authorities and, in consequence, orders in every direction were being held up. He said that no doubt the British treasury was very busy and greatly in arrears. Meantime everybody would have to be patient.

He took another swipe at the British when discussing the need for an Information Bureau. Many aspects of war policy, he said, would require full publicity in order to be thoroughly grasped and understood. To illustrate, he said that immense orders of all kinds had been given by Britain to Italy. There had, apparently, been no trouble with the treasury here, but the purpose was quite evident.

Mr. King also spoke very critically of the censorship. He intimated that the Defence of Canada regulations had been approved by cabinet almost unread and unconsidered. These regulations had gone through in the first few days when ministers hadn't time to deal with things thoroughly. He knew that many mistakes had been made and that discussion had been harmfully restricted. He wanted us to understand that the government did not approve of such restriction and he would deal with censorship as quickly as he could get around to it.

He said, out of a clear sky, that the government had been considering acquiring a short wave broadcasting station but had abandoned the idea upon receipt of advice from Loring Christie, Lord Lothian and from the British government. This advice, he said, was strongly in the nature of a warning not to do anything which might be interpreted as trying to influence opinion in the United States. Any false move, of this kind, would give the isolationists a cry. Therefore nothing was being done which might be interpreted in this way. He, personally, was in complete agreement with this advice.

The British missions, of course, have been digging at King and the government constantly. Apparently no love is lost between Riverdale, Greenly and the others, and the Canadian government. Greenly, at a party this week, remarked that the best thing that could happen to parliament hill would be for the Germans to drop a large bomb on top of it, preferably when the British missions were away. The complaint is that they cannot get things done.

The fact, as nearly as I can get it, is that the British came to Canada with complete plans, all of which were based upon Canada providing the money. This is particularly true of the air training scheme. The Canadian government demurred and insisted that Britain pay a fair share of the shot. This struck the British as being most disloyal and damnably difficult. They had to re-open their completed plans and negotiate new ones and the new ones, of course, had to go back to London for approval of the British treasury - what they regarded as a hell of a mess. Lord Riverdale was particularly peeved although I gather that the man who turned his plan down stone cold was Graham Towers who simply said that it was beyond the capacity of Canada to finance, in its original form. This, presumably, is the plan of which early reports estimated the cost at amounts up to $900 millions for the first year.

Norman Lambert tackled Greenly at a cocktail party at Crerar's this week at which I was present. Norman told him that there was great frustration in the country regarding war orders-where were they? Was it a phoney war? Greenly said that there might well be more frustration before the war was much older. He said, seriously, that the difficulty is that this is a war of production and not of consumption. He could not see how Britain could maintain her munitions industry in full operation unless there was fighting on the western front. England, he said, was filled up with shells, bombs and so on. The psychological reaction, in Britain, to a slowing down in war production might be serious and he did not think that many orders

would be placed here until consumption picked up. He said, in addition, that all the recent advices he had received from home indicated a firm belief that the war would be over by next spring. He did not say if these advices were official or unofficial and Norman did not ask him.

Word came to Old Alex and several other bluenoses in the town, on Tuesday, that the Repulse has been hit. Whether by a mine or a torpedo the correspondents didn't know, but she is badly hit in the bow. She was taking a convoy out of Halifax and had only gone a few hours when she was hit. She has put back into Halifax, landed ten dead for burial and 30 wounded in Dartmouth hospital. Her nose is covered with tarpaulins. The Hood was taken to Saint John dry dock for scraping etc but it was found that an accumulation of silt prevented her from being berthed. Dredging is now proceeding. A Canadian destroyer has also been hit-casualties not mentioned.

Talked with Mr. Gardiner on Tuesday morning. He seemed a bit saddish. He said he was still unable to convince the cabinet of the need for marketing boards to take over and control the sale to Britain of bacon etc. The cabinet would find out it was wrong but meantime time was being lost. He suspected Mr. Crerar of torpedoeing his plans at long range, so to speak. "Tom has a lot of fixed ideas in his head which he got in the last war," he said. "It makes it very difficult to do what needs to be done and what will have to be done before long."

Wallace Campbell and the Supply Board has been transferred from Ralston to Howe. The chief reason is that Ralston must now work on sessional business, estimates and so on. But there is an additional reason. Campbell has not worked out well. The government has discovered to its surprise that Campbell does not know Canadian industry. He is an expert in his own field but has no general knowledge of our industry. This is an almost indispensable requisite in a man in his position. In addition, he is a dominant personality and does not get along well with those associated with him-men like Vaughan. The transfer was made because Howe was chiefly responsible for the appointment of Campbell and is thus presented with his own baby and, also, because Howe knows Canadian industry better than any other member of the government.

Lambert had a talk with King. He did not tell me about it because I've not seen him since the talk took place. But he was telling O'Leary and Walter Herbert. King does not want to lose any of the personnel of the organization [*National Liberal Federation*].

They will all be needed very soon he says. The inference, of course, is an early general election, probably in the spring or early summer months.

10. 12 December 1939 [DP, QUA].

[Information in the following memorandum came from John Stevenson, Ottawa correspondent of the London *Times;* J.R. Murray; and W.A. Mackintosh, special assistant to the deputy minister of finance.

Henri Bourassa was founder of *Le Devoir* and a leading French Canadian nationalist since 1896. Howe and Gardiner opposed Mackenzie King's desire to make L.W. Brockington head of a Bureau of Public Information. On December 6 Walter Thompson was appointed head of the Bureau, and Brockington was named counsellor to the prime minister. Brockington was a former chairman of the board of governors of the CBC. Dollar-a-year men worked without pay for the government in Ottawa during the war, loaned by their firms or companies who continued to pay their salaries.]

Bourassa: Friend of mine *[John Stevenson]* was in Montreal last week and called on Henri B. He is not feeling too well, suffers from rheumatism, doesn't stir around much. But he is taking a very active interest in affairs and expressed himself freely. He strongly approves of Lapointe's stand in the war and of his action in accepting Duplessis' challenge. He would support the King government. He believes there is no danger of conscription; that perhaps three quarters of the population of Canada is passively against the war; that full achievement of national status is now pretty much a matter of time. He regards the course of Canadian policy in this war as the confirmation of the attitude taken by himself and, to a substantial degree by Laurier and Lapointe, in the last one. He regards Godbout as a good man and thinks he will give Quebec good government.

Wheat: There have been several flurries in the past two weeks but things have settled down and no important change in our machinery of marketing is now expected. Every sign points to a bull market and although unwilling to speculate on future prices, Jim Murray and his colleagues quite evidently think that our wheat will top $1. The flurries were interesting.

... George McIvor and Mr. Crerar in London ... have continued discussions with the British government and the British Cereal Authority. Out of these discussions, about ten days ago, came a cable making alternative proposals to Ottawa. The first was for an agreement whereby Britain would purchase wheat from us until the end of 1941 at a price which was somewhere in the low nineties.

Alternatively, there was a proposal for an agreement to run until August 31, at a little higher price. McIvor (chairman of our wheat board) approved these proposals, suggesting that Ottawa take its pick. T.A. also approved. The sudden descent upon the capital of Jim Murray, Gordon Smith of the Wheat board etc - from Winnipeg - was a wholly precautionary movement, in case the cabinet sub-committee on wheat should be tempted to accept this advice from London. The wheat experts were adamantly opposed to entering into any long term agreement with Britain. They favoured the open market and sale to Britain at the market price.

Both proposals, therefore, were rejected, although not without questionings and complaints from London.

Then came a despatch from the British government proposing a deal to purchase 55 million bushels of wheat between now and March 31 and offering a price around 95 cents. This despatch point ed out that the price of wheat was of vital importance to the consuming population of Britain; that higher wheat prices would mean higher bread prices and higher cost of living for the great masses of Britain. In the last war, it was pointed out, Britain had subsidized the bakers, to keep the price of bread down, and had spent £168 millions in so doing. The despatch begged Canada to have these facts in mind and to do all that could be done to aid and succor the British working man. The reply to this note was well done. The Canadian government went over the British despatch point by point, declaring the keen realization here of the difficult position of the British working man. Ottawa would always be mindful of the cost of living over there and of the importance of keeping down the price of bread. And so on and so forth. I fancy Mr. King had a hand in it.

After a goodish bit of this, the Ottawa despatch arrived at the word-But, and proceeded to point out that the Canadian government must ever be mindful of the condition of Canadian producers. These producers had been suffering great hardship, because of drought and low prices, these past nine years. To sell wheat for less than it was worth would not only be an act of cruel injustice to Canadian producers but would raise political problems of substantial dimensions. There was a passage, as well, about the general price level going up in Canada and of the price of wheat not keeping in line with it and, also, a very delicate reference to the price which the British gov't is paying to British wheat producers-a price which was around $1.18 per bushel and has recently been increased. This note is really a very handsome job. The boys would have been justified, after finishing it, in having drinks all round.

Things, since this note, have settled down very nicely. Mr. Rank who has been chasing the market upward with bids at fixed prices (prices which were always just below the market) put in for wheat at the market price.

Air training scheme and war purchasing: The air training scheme is in a hell of a muddle but nobody who knows seems willing to discuss it. I gather from various sources on both sides of the battle - ie British and Canadian-that after the original British proposal had been manhandled in the conferences held here and a new proposal, more favorable to this country, worked out; after this, the British government reverted to the original proposal and requested the Ottawa government to agree to it. My understanding is that the original proposal was abandoned because this country was to furnish practically all of the capital and the total ran up towards one billion dollars. The scheme was geared down by several hundreds of millions and the capital investment was spread between the associated governments, with Canada and Britain taking the bulk of the burden. The British government, however, reverted to the original proposition and Mr. King's reply, I gather, was that if they insisted, he could only lay the matter before parliament. His gov't was not prepared to commit this country to so vast an outlay. If submitted to parliament the gov't, naturally, would have to reveal the nature of the discussions and so on. My guess is that the British gov't will accept the revised agreement but the long delay is baffling. To complicate mat-ters further I understand that the British have placed an order in the U.S. for some *1,200* planes, without consulting the many and various liaison officers who are supposed to keep the British government and our government and the British purchasing authorities and the War Supply Board in closest harmony. My information is that our Wallace Campbell regards this as an act of sabotage. He is out-raged. What can one do when God deals a card off the bottom of the pack?

I gather that one of the difficulties of dollar-a-year men is that they all have lightning trigger fingers in the matter of resignation. They either resign or threaten to resign at a moment's notice. One man was telling me that from a psychological point of view, it was intensely interesting to notice the steadying effect of a fixed stipend upon temperament.

Lunch-The Chief [*J.W. Dafoe*], Cliff Clark, Mackintosh of Queen's and myself-much talk of international affairs. Concern about the far east, as being the most threatening area at the moment. Great

danger of Russia and Japan doing a Poland on China and then joining up to clean the western powers out of the far east. A realization that the U.S. aims to follow a very strong line against Japan hereafter. There was some talk, as well, of oysters and of the relative merits of different nationalities of oysters. The Chief recalled Thackeray's crack after eating an oyster, that he felt much as if he had swallowed a baby. Great need of providing a fund to carry war workers through the post war depression. Mr. Clark expressed concern lest too many British pounds come our way. He would as leave, I gathered, be hit with a brick as a British pound these days... .

The Chief hears, authoritatively, that Brockington is to join the Prime Minister's staff. He hears that at the last cabinet meeting, Mr. King came into the cabinet looking very serious, indeed truculent. He sat down at the head of the table, gave his shoulders a hitch, looked very firmly at Messrs Howe and Gardiner, and remarked that he proposed to hire Brockington and wanted an order-in-council approved empowering him to do so. Brock's sworn foes-H. and G.-never said a word. The order went through in no time flat.

To revert to the lunch. Anxiety lest the U.S. upset the trade agreements. All were aware that Gardiner, in his bacon agreement with Britain, is damned if he will allow any U.S. bacon to enter Canada and affect our price levels. Mr. Gardiner, I gathered, is heading for trouble. Prof. Mackintosh discussed U.S. pigs in a very detailed and learned manner- which surprised me. I hadn't known that pigs differed much, whatever their native land.

11. 27 December 1939 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and L.D. Wilgress, director of the commercial intelligence service, Department of Trade and Commerce. Winston Churchill became first lord of the admiralty on 3 September 1939, holding that post until he became prime minister on 10 April 1940. Argentina insisted on being paid in dollars rather than pounds for British purchases of meat and wheat.]

T.A. Crerar and party are back. He is enthusiastic about the way the British are facing up to the war but is strongly of the view that the war will be long drawn out and very costly. He saw a good deal of the British cabinet and was particularly impressed with Churchill. Churchill gave him a party in the Admiralty building and showed him all over the place.

T.A. apparently is somewhat resentful of the wheat negotiations and inclined to think that Dynamite was high handed. He still thinks that it was wrong not to take the last British offer for a sizable quantity of wheat to be delivered between Dec 1 and March 31 at a price in the middle nineties. He thinks his colleagues here were wrong to have turned it down and he believes they did so chiefly on Dynamite's advice. He thinks that insufficient weight was given to the fact that even if we had lost a few cents on the deal, per bushel, we would have raised the Canadian wheat content of British flour very substantially and created conditions favorable to increased sales later on. We need not have closed the market, he says.

It is interesting to note how the Canadian delegation divides on the question of the probable duration of the war. Wilgress, our trade expert, who was one of the party told me that there is a very sharp division of opinion in official circles in London. The economists believe that the war will be short and sharp and will be finished one way or the other within one year. The military, on the other hand, predict a long drawn out war, lasting for three years certain and possibly longer.

Wilgress agrees with the economists. They know that Germany is deficient in a number of essentials and cannot obtain them. Hitler will have to choose one of two courses. He may fight a defensive war and collapse internally. In this event he will husband his resources and last out, perhaps, for one year. Or he may decide to win the war outright, using the reserves to put on a knockout offensive in the spring as soon as the ground is dry and general conditions are favorable. If his offensive fails, of course, he would be through. Collapse and defeat would come very quickly.

I'll be writing more as I talk with them. There is, they say, an apparent lack of co-ordination in Britain's economic effort. The greatest weakness is the lack of shipping. Losses have been consistently less than expected but, nevertheless, are very serious. There is an acute shortage of foreign exchange. Britain has not got the war chest in foreign securities that she had the last time. Therefore exports have got to be maintained-say the economists. But to maintain exports-which would mean, equally, imports-requires adequate shipping and the shipping authority cannot meet the demands being made upon it. The plan is to run skeleton liner services on all the regular routes-including the Antipodes-and to mobilize the tramps for special services, as well as such liners as can be with-drawn from the regular routes. A skeleton service consists of about half the usual number of ships.

Wilgress pointed out that the skeleton service would have to handle all shipments to and imports from Australia. This would mean that Britain's imports of mutton, wool and some ores could be maintained but practically no wheat could be carried. Australia's idea of transshipping at a U.S. port, he said could not be carried through. The British have had a hell of a row with Argentina and trade relations are very strained - I've got to run to catch the airmail - continued tomorrow.

12.29 December *1939* [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and O.D. Skelton, undersecretary of state for external affairs.

J.V. Rank was director of the Imported Cereals Division, British Ministry of Food. This division operated as a purchasing unit separately from the Cereals Control Board of the same ministry. William Shakespeare Morrison was British minister of food. Sir John Simon was British chancellor of the exchequer. Viscount Halifax was British foreign secretary. Sir Kingsley Wood was British secretary of state for air. Anthony Eden was British foreign secretary, 1935-1938, and dominions secretary from September 1939 to December 1940, when he became foreign secretary again. Edouard Benes was president of Czechoslovakia, 1935-1938, and president of the Czech provisional government in London, 1940-1945. Soviet troops invaded Finland on 30 November 1939, and were firmly resisted by the Finns. Radar was invented in 1935 by Robert Watson Watt and proved a useful defensive technique against enemy aircraft: by 1939 it covered most of the eastern approaches to the British Isles. L.B. Pearson and Hume Wrong were senior officers on the staff of the Canadian high commissioner in London. Clarence Jackson was the private secretary of T.A. Crerar.]

Had a long talk with T.A. Thursday afternoon.

Wheat: There is really no resentment about the wheat negotiations although Mr. C. is convinced that the middle proposal cabled home by him was a sound one and should have been accepted. He will argue the matter out with Dynamite and his colleagues as chances offer. His story of the negotiations is interesting.

The idea of a long-term bulk purchase of our wheat originated with the [*British*] Cereal Authority. Rank is not a member of this body. He is head of a purchasing committee set up by the Cereal Authority. Rank has consistently opposed the Authority on important points of policy. The Authority desired us to close our Market. Rank has always wanted us to keep our market open. Rank is absolutely opposed to any bulk purchase on a long term contract and on numerous occasions has threatened to resign-if this policy were adopted. He was delighted when the Canadian government declined to accept any of the proposed deals.

Rank's view is that while Canada might "have an innings" during the next six or eight months, "our turn will come." He thinks Britain will get her wheat more cheaply on the open market basis than by tying herself up to a contract. There are all kinds of variations to the argument against such a contract. The war may end quickly and then where would Britain be? The German submarine menace may quickly be mastered, leaving Britain in full command of the seven seas and able to buy wheat wherever it is available-what then, if Britain has already tied herself to Canada at an extravagant price?

The main influence for a firm contract came from the British co-operatives. Their representatives on the Cereal Authority-[*Norman*] Vernon particularly-raised the matter at a luncheon. TA. was not enthusiastic. He explained the difficulties in the way of a fixed price and a closed market here. But they kept at him and at last he said he would think it over. Meantime, if they had any concrete plan in mind, would they let him have it. They then suggested, tentatively, the long term proposition, to run until 1943, calling for the purchase of some 250 million bushels. He met some of them a day later and asked what they regarded as a fair price. Winnipeg was then at 69 cents. They said there was no agreement among them. One was for 85 cents but he said he was higher than the consensus. Others were for 80 cents. These represented the high and low, and any agreement would probably have to be found between them. TA. was never attracted by this proposal. It was never made in a definite way.

He worked out the proposition to cover one year. Britain was to buy from 150 to 180 million bushels and T.A. put the price at 93 cents per bushel. The British were to take the wheat one quarter in each quarter of the year. The price was basis Fort William, with Ottawa paying the storage charges and Britain the forwarding charges. In the event that Britain failed to lift the quarter in any three month period the storage on the unlifted part would be charged against the British.

This proposal was turned in and he got a phone call from Shakes Morrison to meet him at his office, a private talk to be followed by a conference with all the cereal experts present as well as T.A.'s advisors. Morrison, in the private talk, said that the proposal was all right, except for price. T.A.'s price was too high. Meantime the market had climbed to 73 cents Winnipeg, but the bullish reports from Argentina had not yet arrived. The general conference was inconclusive, the argument centering wholly upon price.

After this conference T.A. wired Ottawa outlining the plan and endorsing it. The next day he and his crowd were summoned to a special meeting with Simon. They thought the meeting was called to discuss exchange problems but Sir John after a brief talk about the extreme difficulties of Britain's exchange position, said that the main item was wheat. He said the proposal was admirable except that the price was too high. He went on at length about the cost of living and the urgent need of keeping down Britain's cost of living. T.A. explained, parenthetically, that there is general agreement in Britain, particularly among labor men, that all possible measures must be taken to prevent a rise in the cost of living. If this cannot be done, wages inevitably will rise and will present them with a most difficult peacetime problem of adjustment. They blame the rise in living costs in 1914-18 for the 1926 general strike and they do not want anything like that to happen again.

At this interview with Simon, T.A. and Graham Towers did most of the talking for our side. Again it was inconclusive. Rank made no effort to hide his outright opposition.

After this interview, the message came from Ottawa refusing the proposal. Earlier messages had been quite lacking in decisiveness - for which T.A. is critical of his colleagues. He was more or less left out on a limb, being compelled to negotiate without any clear knowledge of the basic line of policy being followed at home. The turn-down, naturally, was most distressing. He wrote a letter telling Mortison about the decision at Ottawa and got Clarence Jackson to deliver it at once. Morrison said the letter was most upsetting-which T.A. takes as indicating that the British had decided to accept. The Argentine report had just come in.

On broad ground T.A. thinks this was a sound proposition. He thinks that if it had gone through the Winnipeg market would probably, not certainly, have had to be closed. But he thinks this is bound to happen in any event. I pressed him for reasons but he didn't have any very clear cut ones. He thinks that if the price goes up very far, the market will have to be closed just as it was the last time. If it sags deeply, the result would be the same. And looking at Canada's supplies of wheat he simply cannot see a real bull market-that is, on the long view. To have got rid of, say, 180 million bushels of wheat at 93 cents, netting our farmers about 85 cents, would have been good business. Likewise he thought it good long term policy to have the Canadian wheat in the British flour-mix raised as high as possible. He thought the upshot of these discussions would be

that the British would conclude that we meant to make as much as possible out of them. Simon, it seems, stressed in particular the difficulty of getting dollars, either U.S. or Canadian, to pay for purchases on this side; and how much easier it is for Britain to obtain exchange with countries whose currencies are not at a premium in terms of sterling. He *[Crerar]* thinks that as soon as, and if, they get their shipping tangle squared away, they will do their damnedest to drum up wheat from sources other than Canadian. With respect to Australia, while the British cannot carry wheat in British bottoms he knows they are working out a scheme, with the Australians, whereby Australia will ship wheat in U.S. bottoms to an American port and then transfer for shipment to Britain. He regards this scheme as wholly feasible, because unless Australia can work something of this kind, their wheat is valueless and will rot. They cannot store it. Therefore they will cut the price to suit, on the line that it is better to get something for their wheat than nothing. Argentina, as well, will cut prices to make it possible, in some roundabout way, to get their wheat into Britain.

This is the scheme which Wilgress thinks will not work.

Succession to Chamberlain: He [*Crerar*] found among the British ministers a general tendency to regard Neville as about the best man for the job. Chamberlain's health is satisfactory. He told T.A. he gets more tired than formerly but feels well able to carry the load. The prevailing sentiment is that if Neville had to quit, the best man for the job would be Halifax, with Churchill leading the Commons. He finds relatively few who would trust Churchill with the premiership and while very much impressed with Churchill, he thinks he is subject to grave errors of judgment. Simon is finished although he may not be disturbed in his present berth. He has no future, politically. The old line Tories seem to think that Kingsley Wood would be the right man to take over from Neville-not brilliant, but sound and well able to talk to the common people. He got along very well with Eden and would not regard his career as closed. He thought Eden a very sound chap and was much taken with the absence of any rancour about events since his resignation. Eden spoke well of Chamberlain. He thinks Eden has plenty of horse-sense. Of all the ministers there, I judge that Eden appealed most strongly to Mr. C. He liked his type.

He had a long talk with Benes. Benes well informed because Czech ambassadors have been on the job in most countries and have been reporting to him. Benes said he knew for a fact that Italy was privy to

the German- Russian agreement, long before it happened. Halifax disagreed with this and said that the agreement came as a stunning surprise to Mussolini.

Course of the war: He [Crerar] thinks it almost certainly will be long drawn out. The information he received was to the effect that neither side will attempt to break through on the west front. Hitler will hold his west wall and will proceed to clean up on the rest of continental Europe. Germany and Russia, between them, will over-run the Baltic countries- Sweden, Norway and Denmark. Nothing can be done to stop this. Britain's position will then become more difficult. It is with this in mind that the new mine field running north to south along the east coast of the U.K. is being laid. They hope to have it finished before these little countries are demolished. Then south eastern Europe will be over-run, with Musso being offered a very fair share of the loot - perhaps all of Yugoslavia. This will probably appeal to Musso, particularly if he could make his grab without abandoning neutrality.

Too soon to judge of the effectiveness of German air raids. During the latter part of his visit, the Germans were greatly improving their machines and British ministers told him that on these later raids, the British fighters were not being nearly as successful as formerly. These German raids are regarded as test flights. The Germans are trying to modify their machines to meet actual conditions. Britain helping Finland, secretly, to the utmost. The Canadian gov't also considering what can be done and announcement likely soon. Skelton tied me up on a story along these lines, saying it would do more harm than good. He indicated that it was next to impossible to ship to Finland; that Sweden was enforcing a policy of strict neutrality. I noticed a despatch in the *N.Y Times* subsequently saying much the same thing. Mr. C. did not think this was so. His information is that Sweden is doing all that she can and is not confining her assistance within any strict definition of neutrality.

The British ministers told him that Britain was still far weaker than Germany in the air. Britain was in much better shape defensively than offensively. The defensive technique they regarded as well nigh perfect. He saw a good deal of this side of the air operations. These great boards upon which they chart the progress both of the enemy machines and their own, he says, are remarkable. They place German air machines when they are as far away from Britain as 200 miles and they chart their line of flight with faultless precision. They send their own fighters up and direct them. The course of these fighters is

likewise plotted and the fighters intercept the attackers entirely because of the guidance given. They did not tell him how this is done. The British do not expect to come near parity terms with Germany until late in the spring.

He has no fear at all of a makeshift peace with Hitler. Whatever he may have done in the past, Chamberlain now detests Hitler beyond words. He just cannot abide the Nazi regime and Mr. C. is satisfied that never, under any conditions, would Chamberlain make peace with the Nazis... .

War Aims: The British point of view is to make the fight against Hitlerism and not against the German people. But this infuriates the French who want it against Germany. French influence operates to prevent a clear- cut definition of war aims by the British government.

Nobody in the British cabinet thinks there is any chance of the United States coming into the war as it now stands. There is, indeed, no wishful thinking in this regard. British ministers say that it is well that the United States is standing aloof, giving only moral support to the Allied cause.

Mr. C. was pleased with the good press he got on his B.B.C. broadcast. He was very rushed at the time. The speech was written for him by Mike Pearson. All that T.A. did was to outline what he wanted to say. He spoke in the warmest praise of Mike, also of Hume Wrong.

He was very amusing on the bacon negotiations. Jimmy Gardiner had been very impatient and desired to close with Britain at 100 shillings per long hundred. Actually, they got 102 shillings. Jimmy, I gather, never said Thank You or Well Done. He mislikes the way Jimmy is handling the agreement. A bacon board doubtless inescapable, but why a great advisory council? I gathered that he has returned from Britain more opposed than before to the creation of boards and the framing and enforcement of regulations. He is against bureaucracy and he thinks the advisory council an unnecessary step in this direction.

13. 3 January 1940 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Mackenzie King. General Sir Edmund Ironside was chief of the imperial general staff. R.G. Casey was Australian minister of supply and development.]

Talk with T.A. Crerar:

He expects fairly short session, finishing probably by the middle of May, with an immediate election-voting around the end of May or the middle of June at the latest.

He had a long talk with Ironside, British chief of staff, in which Ironside said that after Munich he had gone to see Chamberlain and had said that he had been wrong to trust Hitler. Ironside told Chamberlain that he (Ironside) knew the German people fairly well, having spent some years in Germany and having served for two years in the German army. You could not trust them. Chamberlain had disagreed with him, saying that he felt sure that Hitler was sincere and would keep his word.

In December, Ironside had occasion to see Chamberlain about the strength of the British line on the western front. Casey of Australia had been out and come back to say that the British not only were holding far too long a stretch of line for their manpower but that their section of the line was inadequately fortified. Casey had told this to the King who had become very much alarmed and complained to Ironside and Chamberlain. Ironside had gone out to inspect conditions and on his return had gone to see Chamberlain. He reported that there was something in Casey's point but the situation was rapidly improving and there was no occasion for alarm. As he was leaving, Chamberlain recalled their earlier conversation. "You were right about Munich," said Chamberlain. "I was wrong. He took me in. But he won't do it again."

King's press conference:

Censorship: King is against the censorship and was particularly against having the censors interfered with by the military. They must use their own judgment and not take orders from the military chiefs. He said he would so instruct them. He thought much of the censoring of news reports was nonsense and he agreed at once ... that censorship must inevitably undermine the confidence of the people in their newspapers and greatly increase the circulation of U.S. papers in Canada. Apparently the circulation of U.S. papers like the *Times*, the *Herald Tribune* and others has already gone up markedly. People began to say that they did not know if what they read in Can newspapers was true or not, because of censorship, so they bought a U.S. paper to be sure.

I asked him if the government had any thought of following the example of the British government and withdrawing and revising the Defence [*of Canada*] regulations. He said the government was constantly giving thought to these regulations but that the pressure was all the other way. The demand was that they be strengthened. ...

On the war he was very gloomy. He said that his information did not entirely square with Mr. Crerar's, although the differences were small. His information is that the war is bound to spread. 1940 will be a bad

year and the war a long drawn out war. This year, probably this spring, Sweden, Norway, Denmark, Holland and Belgium would be over-run. These countries were expecting to be attacked by the Germans and the Russians, one or other, perhaps both. The British would not withdraw their ambassador from Russia because they did not want to take any action which might force Russia and Germany closer together. He seemed to think they were very close together now. He said that Rumania and Turkey also expected to be attacked this spring and were preparing against it, but not with much hope. There were various views regarding Italy. The general view is that the King and the people are pro-British but that Mussolini is a cold-blooded adventurer and will take whatever course promises to yield the greatest profit. ...

14. 3 January 1940 [DP, QUA].

[Information in the following memorandum came from Mackenzie King.
On 4 December 1939 Gladstone Murray, general manager of the CBC, issued an internal memorandum stating that the government would oppose the formation of a trade union among CBC employees. Norman McLarty was minister of labour. J.W. Pickersgill was a member of Prime Minister King's staff.]

I questioned King about Murray's order at his press conference this afternoon and got his permission to run the story which is enclosed. He was astonished. Apparently our clippings, while on his desk, had not been read and my question came as a surprise to him. He told me there was no truth whatever in this report and, in fact, appeared to doubt my word. He appealed to McLarty, who was present, to support his statement that nothing could be further from the wish of the government than to confine or restrict the activities of trade unions. McLarty said, somewhat pompously, that he had heard about this regulation and got a copy. He was bound to say that it had been most unfortunately worded, most unfortunately. It certainly would give the impression that the government had taken the line suggested by me. King tsked and took off his spectacles and tapped his desk with them. He gave every indication of being seriously put about, so to speak. No more was said of it, except that I was given permission to write the denial coming from him. Later Brock[*ington*] phoned, so I guess the matter has been turned over to him. I will see Brock tomorrow morning. Meantime I must consult our arch conspirator the great Norm Lambert as to what I should tell Brock. I think I will adhere strictly to the line of having seen the item and edit[*orial*] in the F.P. and am just in search of information.

I enclose the original of the order and I suggest with the vigorous approval of one, Pickersgill, that you express your amazement editorial-wise in suitable fashion. I notice, too, in the British debates that a special provision was put into their new regulations, freeing trade unions from all danger of interference because of wartime conditions. I'll do a little job on this. Gladstone M., I learn, sent Brock four Christmas cards and a personal note of greetings. Apparently he sent a new card every time he got soused.

15. 11 January 1940 [DP, QUA].

[Information in the following memorandum came from Charles A. Dunning; and John T. MacNeill, a senior official in the Department of Justice.

E.J. Tarr was president of the Monarch Life Insurance Company, and a close friend of J.W. Dafoe. The Canadian government floated a war loan of $200 million in the autumn of 1939; and a second of the same amount in January 1940. Smelters was the Consolidated Mining and Smelting Company's plant at Trail, B.C.]

This memo should have been written days ago. I neglect writing and forget half the stuff, or I remember and present you with more memos than you've time to read. ...

Dunning: Long talk with him. Mr. Tarr had suggested that this will be a smallish loan-no general appeal. That is quite true. I thought it would be larger. Dunning says it will be small - calculated on the amount of money that can be got quickly, from the big shots. But a general appeal, without a general canvass, will also be made and it is probable that a fairly general response will be obtained. He has advised Ralston to take all the money that is put up and he thinks Ralston will do so.

He talked a lot about his holiday in Britain. After he had recovered a bit he stirred around and, in particular, he paid attention to the wheat business. Rank was looking for him and he saw a good deal of him. He found Rank strongly in favour of closing the Winnipeg market and very critical of Canada, because of what he termed high prices. All this was when the price of wheat was around 70 cents. He says he argued the thing out with Rank. So far as Australia is concerned Rank admitted that no ships could be spared except for vital supplies which would not include wheat. The "turn around" is six months. With respect to Argentina, the "turn around" is three months, which is a very heavy disability. But Dunning knew from friends in the City that Argentina is raising hell with Britain. She is demanding payment for what she sells Britain-over and above the service on debt held in Britain – in United

States dollars. He told Rank he was well aware of this fact and would Rank suggest for a moment that Britain could dig up United States exchange for such a purpose? He says that Rank agreed not. Dunning then pointed out that Britain certainly expected Canada to begin financing British purchases in Canada very soon. He was very definite on this point and his information I gathered came direct from the Bank of England. It did not come from Simon. Dunning spoke of Simon in terms of the greatest contempt. He said he declined to see the man. But to get back to Rank, he put it to him that no Canadian government could be expected to expose itself to such criticism as this: that it was providing Britain with the money which was being used to buy Canadian wheat at a price lower than its real value. It was essential that the prairie farmer be satisfied that the price of wheat was a fair one. For the government to close the market and sell wheat for less than western farmers thought it was worth and, in addition, to put up Canadian funds to allow this selling to proceed - would be suicide. He said he convinced Rank although, to his astonishment, Rank produced for his inspection a communication of some kind (he didn't specify) from J.G. Gardiner assuring him that Britain could have all the wheat she liked and any price she liked and that there would be no trouble about closing the market. Such a communication would have been dated from Ottawa in late September. This is an extraordinary statement. I can scarcely believe it.

He knew all about Mr. Crerar's deal and he thinks it was a good one and should have been accepted. 93 cents Fort William he thought a very fair price and it would not have been necessary to close the market.

Dunning's health is improved, although he doesn't look much better than last summer. But he no longer takes adrenalin which is the measure of his recovery. He aims only to get into prosperous concerns. He is now on the board of the Bk of Montreal, the Can. Investment Fund, Consolidated Paper and Ogilvies. The latter is his particular baby and I gathered he will accept the presidency of Ogilvies as soon as he feels strong enough to do so. The smaller companies, he said, paid $20 a directors' meeting, about 1 mtg a month. The Bank is better. It pays $20 a meeting whether a fellow is present or not and $20 extra if he is present. And there are two meetings a week. ...

Long talk the other night with John MacNeill, the law officer of the crown who advises the Mounties, the Censors and the penitentiaries. He is the lad who dissented from the report recommending

the [Defence of Canada] regulations. He doubts now if he was right. He says that the menace of Nazi sabotage is very real. The Findlay case was not really exposed to view. He believes that Findlay, beyond question, was in communication with Nazi spy (the gal) and should have received a heavier sentence. The plan he drew was a model one for purposes of attack on Halifax harbor by planes. The moorings of the warships and the cargo ships were marked in relation to a line which Findlay gave, very casually. He mentioned the harbor light house and the tower of the university. A line drawn between the two happens to pass right over the long line of these moorings. A plane flying this line on the darkest night need only release its bombs to secure hits. He cabled Scotland Yard asking for information of the address in Denmark to which Findlay's letters were sent. He got word back 48 hours later saying this was a well-known Nazi spy centre and to arrest at once anybody writing to it. Findlay had some of the girl's letters (they were all numbered both ways) but the essential ones-numbers seven and eight-had been destroyed. .

The Nazis are operating a short wave station from a motor car in Nova Scotia. This is a set capable of broadcasting perhaps a few hundred miles and is picked up at sea by a German ship and relayed to Berlin. The military listen to it every night but can't catch it, although nearly every radio detection car in the country is concentrated in the area. The broadcasting car apparently moves about constantly and is very cleverly disguised. This station gives up-to-the-minute information on all developments at Halifax and is the source when Berlin gets its information so rapidly.

The plan to wreck Smelters was a real one and almost succeed-ed. They caught on to it when one of the lads in internment wrote to a confederate tipping him off about the location of some essential part of the equipment. The plan was to explode the large stock of an explosive gas always kept at Trail for the purposes of the mine ... The head of the plant ... said that if the plan had not been uncovered the explosion would not only have wrecked the mine but would have killed every soul in Trail.

Another plan which darn near came off was to wreck the hydro plants at Niagara. The Germans are using a new kind of bomb. The police have found quite a few of them. They are about ten times the size of an egg and the same shape. They are made out of metal with the inside of the egg divided in the centre by a copper partition. The chemicals eat through the copper partition and, when the two fuse, the explosion occurs. The width of the partition determines the time

in which the bomb will explode. The plot on Niagara was to insert these eggs in the cylinders of oil which are placed in the generators. The guards caught cylinders of oil with these eggs inside them. He didn't know how they stopped the explosions from occurring. ...

16. 16 January 1940 [DP, QUA].
[Information in the following memorandum came from John MacNeill.
Sir Herbert Holt was chairman of the board of the Royal Bank of Canada and president of the Montreal Light, Heat and Power Company. J.L. Ilsley was minister of national revenue.]

... Sabotage: Two Nazi centres in Canada were the German consul in Winnipeg and the head of the German shipping lines in Montreal. The G C in Wpg had diplomatic immunity and got out. The lad in Montreal was vouched for by Sir Herb Holt and other people of eminence. He got by for nearly a month but was unmasked with the help of the U.S. secret service which, I am told, is proving an invaluable source of help to the Mounties. They got a line on him and tipped off the police here. But the lad also heard about it. He got away but they nailed his baggage and inside his trunks were blue-prints of one of the latest model British planes sent out to the associ-ated aircraft company for examination and manufacture here. They also got a list of names and pursuing these they hauled in three lads working in air factories. One of these men had a very small camera and a reel of film which, when developed, proved to contain photos of a newly invented gadget for propellers and the machine gun mounting that went with it.

Actual sabotage appears not to have been heavy, although in some respects it has been surprising. Inspectors caught a number of airframes whose wings had been partly sawn through by a very fine saw-the cut was only found by accident. There was another some-what similar case but I have forgotten the detail. They found, too, plans for knocking out the Montreal power service which, they say, would have disrupted the power service for at least six weeks, including the Port. This information is direct from the responsible officials and isn't hearsay.

I think it might be said, in justification of these [*Defence of Canada*] regulations that the officials are afraid that one or other of these schemes will come off. If they relaxed the regulations and the Queenston power plant was blown up-where would they be?

They contend that, with the U.S. close at hand, it is not practicable to proceed against these foreign agents by the ordinary processes of law. You have to grab them first and think about the law after-wards.

Gossip: The damn town literally crawling with stories about cabinet trouble and impending changes. I heard three times over the week-end that Norman Rogers was finished, physically, and would turn that department over to Ralston. To it would be added all war effort work-a kind of war office. Ilsley would succeed Ralston. Ian Mackenzie would be thrown to the wolves and so on. I checked these stories rather carefully. One man told me he had just left Rogers on Saturday noon and he looked as if he mightn't be alive a week hence.

Mrs Norman [Rogers], with whom I was talking, spoke very bitterly of these gossips and tale bearers. She hates Ottawa life, and I do not blame her. She detests being nice to people she loathes., of having to consider politics in her private affairs. Norman, in point of fact, is in Cuba and hasn't been near Ottawa these past few weeks. Ralston hadn't heard of any impending shake up. Neither had Jimmy Gardiner, nor Charlie Dunning and so on. The rumor came most strongly, oddly, from Ilsley's department. I am told by Dunning and by others that Jim Ilsley feels dished in the matter of the successor-ship to Dunning. But I would be mightily surprised if he harbors any ill will to Ralston or Norman.

17. 16 January 1940 [DP, QUA].

[Information in the following memorandum came from John MacNeill.
In January 1940, the Winnipeg Free Press published four articles by Dexter criticizing the Defence of Canada regulations as a menace to civil liberties and to effective public discussion of the war effort.]

Call from John MacNeil1 - law officer of the crown - to ask me around. He is a dandy lad. Lapointe had our articles on his [*Defence of Canada*] regulations and handed the cuttings to Mac with the observation that they expressed his sentiments very well, that he was glad to see there were some Liberals left in the country and, having got him into the mess, would the law officers kindly write him a piece in reply. Mac says I was wrong in some detail-I usually am-but on the whole the argument was not unfair. Since then, of course, they have cracked down on the communists. Lapointe, I was told, is not a party to this last crack of the whip. But is it any use for ministers, privately, to disavow

their public acts: to pose as ardent advocates of freedom to their friends and in the privacy of their cabinets, while they knock the stuffing out of the common folk?

18. 27 January 1940 [DP, QUA].

[Information in the following memorandum came from Grattan O'Leary; Charles A. Dunning; and James H. Stitt, a member of the Civil Service Commission. George A. Drew was Conservative leader of the opposition in the Ontario legislature. Murdoch MacPherson was a member of the Saskatchewan government, 1929-1934, and a candidate for the national leadership of the Conservative party in 1938 and 1942. Major-General Donald Hogarth was a Conservative member of the Ontario legislature, 1911-1934; Harry Price was a prominent Conservative fund raiser in Toronto. Earl Rowe, a veteran Conservative M.P., served briefly as provincial Conservative leader in Ontario until his defeat in 1937; he then returned to the House of Commons in a federal by-election. John Bracken, premier of Manitoba since 1922, was leader of a Liberal-Progressive coalition government. Hector B. McKinnon was chairman of the Wartime Prices and Trade Board from September 1939 to November 1941. J.W. McConnell was president of the St. Lawrence Refineries and publisher of the Montreal Star; Ross McMaster was president of the Steel Company of Canada. Bruce Hutchison was parliamentary correspondent of the Vancouver Sun.]

Col. Drew was here ... yesterday (Friday). I have an account of his visit from Grattan O'Leary who saw him late last night. Drew came to Ottawa because he thought Dr. Manion would be eager to talk to him, to arrange for the campaign, to discuss finances, to survey the Ontario ridings. He arrived on the Toronto train, around 8 o'clock and telephoned Manion's office in due course. [Richard] Bell, the secretary, told him he would tell Manion he was in town which, apparently, he did the moment Manion arrived. Drew then kicked his heels around the Chateau Laurier until 12:20, when he was asked to Manion's office but told that the Dr. had a lunch date and could not spare him much time.

He found Manion in a highly excited state-on the top of the world. He was certain that there would be a "sweep," that the party was certain to win. He had stacks of telegrams and told of all the phone calls and so on. Drew suggested that he had come, thinking some campaign discussion might be desirable. Manion replied that it was kind of him to come but that he had not settled anything yet. He wanted Drew to read the congratulations on his speech, wanted to talk of the men who had phoned him and so on-which didn't interest Drew at all.

After five minutes or so, Drew, realizing that he had very little time, pressed for a discussion of campaign plans. He presumed that Manion

had wired to Murdo MacPherson placing him in charge of the four western provinces. On the contrary, said Manion, he hadn't decided anything, had not phoned Murdo and figured that if Murdo wanted him he knew where to find him. It wasn't up to him (Maruon) to make the first move.

That was all about Murdo.

Drew said that so far as Ontario goes, he was sure the party could make a sweep. But one or two things would have to be done. He believed that there was plenty of money available in Ontario if Dr. Manion would retire Col. Hogarth ... and Price. Nobody in Toronto would trust a nickel to either of these gentlemen and he thought Manion should know it. I doubt if he put it as bluntly as this but undoubtedly he made his meaning plain. Manion answered by telling him what somebody in Montreal had told him. Drew persisted, however, until Manion said that such matters would have to be left for him to decide. Both happened to be very old friends in whom he had confidence.

Drew then said that he thought the national government statement was excellent. He read it to mean that Manion realized that the campaign mustn't be a one man show. The cause was greater than any individual. All must pitch in and Manion would make votes by sort of withdrawing himself from the centre of the Conservative spotlight, by sharing it with others.

Manion said that the only significance attached to the statement was this: that he and his advisors (notably Earl Rowe, who I believe is a mortal foe of Drew's) had wanted to facilitate Mitch Hepburn's bolt from the Liberal party, to invite him in. Drew thought that this was clean crazy. He doesn't want Mitch in the field in a big way and he does not think Mitch will bring any strength to the Tory party.

Drew is going home to organize his own campaign and I take it to get money-which he can get-to finance candidates of whom he approves. He takes the darkest view possible of Manion.

The conversation is interesting because it reveals the direct conflict of ambition-Drew wants to share the spotlight and he doesn't want any competition from Mitch. I think his judgment of Mitch's strength is sound. He is now going to run a show on his own and collar all the credit available.

Dunning came from Montreal this morning and phoned me. I had a long talk with him. He is convinced that the government can-

not be defeated. He has a contempt for Manion, Mitch and Drew. He believes that, on balance, King's method of dissolution was best for the country and for the party as well. He says that King is just as unpopular in the country as anyone, but the country knows that King surrounds himself with good men. Ralston and Howe are excellent assets. Mr. Crerar is very good. Gardiner is an excellent debater and a good platform man. Dunning talked with the Saskatchewan organizer in Montreal and this man gives the Libs 14 seats in Saskatchewan. ... Bracken ... thinks the Libs will not lose any rural seats in Manitoba except Souris and that is only doubtful. Dunning thinks Norman Rogers would be a good stump man with a partner like himself, but weak alone.

He says that when the dust settles down and the people face up to the decision of choosing a wartime government, they will see things something like this:

The war effort is a house with several rooms. One room is the National Defence department and it is damn untidy although not as bad as the Tories make out. He is certain there is no real scandal there-a note on this later. Another room is the price control board of McKinnon's. Another is the foreign exchange control board. Another is the financial policy; another, taxation policy. All these rooms are as tidy as a pin, except for the National Defence department.

All these bodies - other than the Natl Def dept - have the widest ramifications with business of all kinds. There are some 250 men on exchange control, drawn from the banks, the bond houses, the brokerage houses, insurance companies and so on. There is not one big company in Canada that has not got somebody in there in whom it has every confidence. Hector's board has been sitting in with all kinds of big business people-sugar (McConnell), steel (McMaster), the textile people, the coal people, the leather people, the canners and so on. This board, likewise, has done a magnificent job and completely possesses the confidence of the business community. The sugar work, he says, unquestionably has brought to the government the all-out support of the Montreal Star. The war loan, again, brought the most intimate contacts between business and the govt and, if he did say it himself, this job had been beautifully handled. And so on.

He says it is nonsense to think that Manion can stampede the country on the defence department's mistakes. The people who really matter will know differently and they will know that slips here

and there will be corrected, holes plugged and so on. This is true also he says of the War Supply Board. Hundreds of manufacturers have found out that there is no profiteering, that the business of war buying is straight.

He says the government will get full credit for this work. He, himself, is being continually given credit for the financial side of this job, which he organized before he quit.

The Manion talk, of course, is the more interesting of the two. He seems fated to be the victim of his own vanity.

A friend of Bruce [*Hutchison*] here today. He is one of the top navy men at Halifax. He said he thought the navy people would vote pretty solid for the government and was vastly surprised when I suggested the army folk might do otherwise. He said that since Ian [Mackenzie] went, all political interference has been banished. There is only one serious complaint and that is against the War Supply Board. They are so determined to get the lowest possible price that they dicker too long and lose invaluable time. They expect a real submarine campaign off Halifax in the spring and they urgently need more ships.

Jimmy Stitt of the Civil Service Commission says that out of some 1,000 persons appointed to the Natl Def Dept since Rogers took over, only three have been political appointments. All the others have the commission's certificate.

19. 31 January 1940 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar; Harry Butcher, a member of the staff of the chief electoral officer; James G. Gardiner; R.H. Milliken, a Regina lawyer and counsel for the wheat pools; and Senator W.A. Buchanan. W.D. Euler, minister of trade and commerce, was chairman of the cabinet wheat committee and the minister responsible for the Wheat Board. D.G. McKenzie was vice president of the United Grain Growers Limited. Mr. Justice William Martin of the Supreme Court of Saskatchewan was a former Liberal premier of the province. J.E. Brownlee, premier of Alberta, 1925-1934, was charged with seduction by a typist for the Alberta government. The case was not finally settled until 1940 when the judicial committee of the Privy Council upheld the award made by an Alberta Supreme Court jury in 1934. James A. MacKinnon, Liberal MP for Edmonton West, was appointed minister without portfolio in 1939. In the federal election of March 26, Alberta voters elected 7 Liberals and 10 Social Crediters; in the provincial election of March 21, Aberhart's Social Credit government was returned with a reduced majority.]

Just to pin down the decision to dissolve, while the detail is fresh in mind.

T.A. told me that dissolution was discussed at the cabinet meeting on Monday, January 22. It was agreed that parliament would be dissolved as early as possible-perhaps the moment the debate on the address was finished. The line was a session of a week or two or three, and an election in the first two weeks in April; earlier if the Election Act could be amended.

The letters the chief [*J W. Dafoe*] knows about. King sent the [*Rowell-Sirois*] commission a draft of the letter he was going to write to them. The draft was written on Tuesday Jan 23 and in it King said he wanted their report so that he could present it to parliament. When the official letter arrived, on the afternoon of Jan 24, the wording had been changed. The report was to be presented to the government (not to parliament). The time he changed his mind, therefore, is quite evident-between noon of Tuesday Jan 23 and the morning of Jan 24-the day before parliament met.

Harry Butcher, the Saskatchewan lawyer who does the work on the election act, told me he had a conference with Chubby Power, the election act minister, on the morning of Thursday, Jan 25 (the day parliament opened). They discussed the amendment he had drawn up reducing the campaign period to 28 days. Chubby thought they should talk to Lapointe so they went to Lapointe's office at 10 a.m. Lapointe called in John MacNeill, one of the law officers, who confirmed this to me at his house last Sunday night-and they went over the bill. Lapointe thought 28 days too short and thought it would be good enough if the amendment would enable a decently long debate to be held and the election pulled off very early in April. At parting, Lapointe warned Chubby that the bill must be ready for introduction in the Commons on Monday.

It is quite evident he did not know a thing about what was going to happen, an hour before cabinet met on the day parliament opened. King's argument in cabinet was that they would never be able to fin ish the debate on the address; Manion would move no-confidence and would contrive to keep no-confidence staring them in the face until the time within which an election was possible had passed.

Gardiner been to see T.A. He is bound he is going to have the wheat business taken away from Euler and placed under himself. Euler going to see King to implore a senatorship. King probably refuse, at least until the election is over. Gardiner also wants two members added to the Wheat Board. He suggests Donald McKenzie and Milliken of Regina. As parliament not in session, presume Jimmy would make the transfer under the War Measures Act. Crerar

opposed. I don't think he was particularly opposed to the appointment of the two men mentioned.

Talked for an hour with Gardiner this morning. Topic - prospects in Saskatchewan. I was interested in watching him. Milliken told me that a friend of his who, he said, had called very election accurately since 1926 had told him that not a single Saskatchewan rural seat was safe this time. The peril comes from the C.C.F. Billy Martin said, the other day, that the Liberals would carry 12 seats. They now hold 16-in my recollection. Dunning told me he had talked to the Grit organizer from Saskatchewan who said they would win 14 seats. Gardiner said to me they might lose 8 or 9, including Saskatoon.

Gardiner obviously is under great strain. He looked tired, worn, dispirited. But he has remarkable courage and there was no hint of a whine. I gathered that his chief worry is the foreign vote. He has "several thousand" Germans in his riding. He has, also, Hungarians, Ukrainians and what nots. This foreign vote will be a factor in a great many Sask. seats - possibly in Manitoba seats too. The fear is that the pro-dictatorship foreigners will vote C.C.F. Undoubtedly the enemy secret service people will direct much of this vote. They would vote C.C.F. because the C.C.F. stands for the smallest possible war effort. Jimmy has conflicting reports about the Germans in his seat. But he hears very directly that the Germans around Maple Creek are actively Nazi.

Alberta: Billy Buchanan says that Aberhart will get a bad crack in the coming election and may well be defeated. Since Jimmy Gardiner was called off, Jim MacKinnon has been the Federal minister. Mr. MacKinnon, either by temperament, inertia or design, adopted a policy of wise and salutary neglect. Thus left to themselves, the constituencies began a unity campaign which has resulted in the nomination of "beat Aberhart" candidates all over the southern half of the province and in many of the northern seats. He thinks that many of these unity candidates will win - just as a unity candidate won Lethbridge. Mr. Brownlee who was here for a few days, concurs in this judgment. Buchanan says that Brownlee's reputation among the farmers is coming back. They now incline to believe that he never ruined that gal.

A defeat for Abie, or a severe check for him, might well have a marked effect on the Federal election. Abie will hold his election in advance of the Dominion election. How it would work out, however, is beyond him [Buchanan]. He would like to see anti-social-credit-

win-the-war candidates. MacKinnon apparently thinks the Libs can win from 5 to 7 [federal] seats. But Mr. M's political judgment has not yet been blooded.

20. 7 February 1940 [DP, QUA].
[Information in the following memorandum came from Grattan O'Leary and Norman MacLeod. The 1938 Conservative platform said nothing explicitly about conscription. The convention, however, defeated a Quebec-sponsored amendment opposing the despatch of forces overseas unless approved in a national referendum.]

Things humming politically. Am fairly close to Tory machine through good offices of O'Leary and MacLeod. Manion is cocksure of winning and is really a little pathetic in his planning for sweeps here and there.

The old guard have advised him strongly that there is only one issue which can bring him within striking distance of office. That is, to declare that the Conservative party is in this war without any qualification whatsoever; this parliament will govern Canada for four years or five; that while conscription may not now be necessary, the Conservative party asks the country to give it a mandate to fight the war without any qualification. That, they claim, would give him a real issue. He could say that two years hence, enlistments may fall away. Are we then to quit the war? And so forth.

Manion, however, has received glowing reports from Quebec as to prospects of carrying from 15 to 20 seats. He believes these reports-which is a tribute to his capacity for self-deception. Actually, of course, the Quebec Tories want the money spent. There is never an acclamation in Quebec-for that very reason.

But Manion has decided to come out against conscription. He will stand by the 1938 convention platform in this respect. He will seek in the west and the maritimes to prevent any split in the anti government vote and, if he can carry Ontario in a big way, King can-not get a majority.

He has a surprise which he thinks will win him many seats. He passed it to O'Leary yesterday (in strictest confidence), and will spring it probably Thursday night. It is a pledge to take a woman into the cabinet.

21. 8 February 1940 [DP, QUA].

[Information in the following memorandum came from Phileas Cote.
R.S. White was Conservative MP for Mount Royal, 1925-1935; C.H. Cahan was Conservative MP for St Lawrence-St George, 1925-1940. Lucien Cannon was solicitor general in the Mackenzie King government, 1926-1930; Onesime Gagnon was minister without portfolio in the R.B. Bennett government in 1935 and a mem-ber of the Duplessis cabinet, 1936-1939. Camillien Houde was mayor of Montreal and a former provincial leader of the Conservative party in Quebec. Sir George Perley was a Conservative minister in the Borden, Meighen, and Bennett govern-ments. PTA. Cardin was minister of public works in the King government, 1935-1942. LA. Godbout was Liberal premier of Quebec, 1939-1944. Former Prime Minister R.B. Bennett had been living in England since 1938.]

Lunched with Cote - Lib organizer in Quebec. Chubby and he had done a preliminary skirmish and were just home. Situation looks so good that Cote dubious outcome. He prefers a bleaker prospect at outset of elections. He says there are many problems to be worked out and much money to be raised but that, right now, he is dead certain of 50 seats. It is conceivable that the party might carry 63-every one except Bob White's and Cahan's.

Weaknesses exist in some fifteen seats, in Montreal area, in Dorchester (outside of Quebec city) and in territory east of Quebec on south side of river - Gaspe, and so on. East of Quebec, through one cause and another, the party has lost all its members and new candidates have to be chosen. Chubby is going down to begin this work this afternoon.

But however well these holes are plugged, there are from 12 to 15 seats (including the two mentioned) where the Tories have good fighting ground. Dorchester was Lucien Cannon's seat, Gagnon's too, and was carried in the provincial fight by a Duplessis man who is very popular. If this man comes out for Manion, he will probably win.

Gagnon will not enter the federal contest because he is in the middle of his battle with Duplessis for the provincial leadership. Gagnon will win this battle and throw Duplessis out. He need not enter the Federal field because Manion, if he wins, would have to come to him in any event and he would have the choice of staying in the legislature or coming to Ottawa.

Manion will need a Quebec leader and the Libs are afraid he will pick Houde who I gather is a nightmare to the Grits. Houde, perhaps, is the only Canadian politician on record whose value as a nuisance time neither withers nor custom stales etc etc. He sells out both ways but never on credit. It is always cash on the nail. The St Henri by-

election is a case in point. The Grits had him on a proposition to pay his hotel bill for a year with $2,000 thrown in for Madame Houde and the two daughters. Then Houde came to Bennett, spoke sweet words of comfort to Lady Perley, on the demise of Sir Geo, and went home with, in all, $53,000. He ran for Bennett and it cost the Grits a $4,000,000 bridge and a $1,000,000 tunnel to beat him, plus $23,000 to the candidate. Even Cardin couldn't stand this.

If Houde leads for Manion he will require $250,000 as a minimum. Chubby is negotiating with him to assure neutrality and has cards in the game. Godbout helped Houde out recently on city of Montreal finances and Godbout will apply the squeeze but you can-not tell what the man will do.

Cote says that the Tories can win up to fifteen seats if they use good judgment. They must be prepared to spend $20,000 per seat and confine their full Quebec efforts to these seats-let the rest go. Jacques Cartier, the best Tory organizer, tells Cote that Manion won't do this. Whatever money is going will be spread too thin.

From Tory sources-Ray Milner, head of Calgary Power and a big shot in Alta, here to negotiate with Manion re Bennett. Either Bennett had phoned Milner or Milner had phoned Bennett, but any-how Milner had a definite proposition from R.B. for Manion. He would return and campaign for Manion and serve under him, in the interests of the empire and of this country. Milner told the party talking to me that Manion was very angry and damn near threw him out. "The last thing in the world I want is that bugger back in this country." Milner also put in a plea for MacPherson-use him across the country. Manion said he expected MacPherson would do most of his campaigning in Saskatchewan. Manion is a tough lad. ...

22. 14 February 1940 [DP, QUA].

[Information in the following memorandum came from Senator Norman Lambert and from Arnold Heeney and J.W. Pickersgill of the Prime Minister's Office. Dexter was asked to draft one of Prime Minister King's election speeches. W.L. McDougald, appointed to the Senate by Mackenzie King in 1926, resigned in 1932 because of his involvement in the Beauharnois scandal. Agnes MacPhail, United Farmers of Ontario and subsequently CCF member of parliament for Grey-Bruce since 1921, was defeated in the 1940 election by the Liberal candidate, Walter Harris. Lord Tweedsmuir, the governor general, had died on February 11.]

Good prose be damned. I wrote the piece practically in the middle of Wellington street. I had to submit the job I did for Willie to Norman Lambert and I camped in his office, using a typewriter there, with all

the Grits in creation milling around. I am finished being a ghost, even for Mackenzie King. I passed Lambert and then encountered Pickersgill, Heeney and company. Their ideas about how to present an argument were quite different from mine. I got the damn piece past them, not without sad gashes and wounds, and then I had to re-do it. Now it is finished and I am going to fire it into one of their offices and leave it.

In addition, I think I'll vote against Mackenzie King. ...

While I was in with Heeney Pick and co, the Great Man telephoned to raise hell because in the government handout re Tweedsmuir's death, they had failed to include Mr. King's flagpole among those upon which the flags were half-masted. What do you know about that.

Lunch with Lambert who said, without batting an eye, that this campaign would cost the war chest not more than $60,000. He was full of the Ontario developments. McQuesten and Nixon and other Mitch ministers who voted for Mitch's resolution are now out stumping for Mackenzie King candidates. Mr. King is threatened with the candidature of Wilfrid Laurier McDougald, of Beauharnois fame, in Glengarry county. He has phoned to instruct the gun-men to fix the convention. "I don't want him around here." Aggie Macphail's fate is also confronting the Great Man. He has always held the boys out of Aggie's seat. If a Grit candidate happened to pop up he would not allow any minister or big shot to support this candidate. He is now wobbling badly-because, after the dissolution, Agnes bounced into the Chateau and bellowed, for all to hear-"If there is one Liberal elected, it will be too many."

23. 28 March 1940 [DP, QUA].

[The 1940 election returned 184 Liberals to the House of Commons, giving the Mackenzie King government the largest majority since Confederation-123 over the opposition parties combined.]

The election is a corker. I was astonished and so were the lads. Walter [Herbert] was nearest the bulls eye. 152 with 26 doubtful.

But it is bad having no opposition & I move that we set our-selves up to be fairly critical as & when opportunity or need arises. We should prod them along-don't you agree?

I felt that our campaign was below par & that we didn't get going soon enough. But, by way of exception, I think that whoever took the C.C.F. in hand-and I guess it was yourself-did a marvelous job of

effective satirical argument. I judge that that campaign cost the CCF a great many seats. ...

Ah well. John Stevenson is utterly crushed- bleeding – broken - mangled. Grattan feels it too. He rarely shows such things. ...

24.15 April 1940 [DP, QUA].

[Information in the following memorandum came from J.G. Gardiner; T.A. Crerar; Senator Norman Lambert; and Walter Herbert. Two weeks after the election, the Government decided to set up the Department of Munitions and Supply for which statutory provision had been made six months earlier. C.D. (Clarence) Howe was appointed minister, but he retained his old portfolio of transport until July. It was the first of a series of moves by which Mackenzie King strengthened his cabinet in the spring of 1940. Another was the promotion of James A. MacKinnon on May 9 to be minister of trade and commerce in place of W.D. Euler who was appointed to the Senate. J. Edouard Handy was Prime Minister King's personal secretary. Joseph Clark, a brother of the newspaper columnist Gregory Clark, was a public relations man employed by the Canadian government. Laurier House was the Ottawa residence of Mackenzie King, left to him in her will by Lady Laurier.]

... Jimmy Gardiner talked to me at some length about the cabinet and, particularly, about Euler. He wondered if I had heard whether or no Euler was still keen to go to the Senate. I said that I had been told, though casually, that Euler would prefer to remain as minister until near the next election and then go to the Senate. Jimmy wondered if anything would be done to transfer wheat from Trade and Commerce to Agriculture. He thought this might be more practicable if Euler retired and a new man took over. He said it was most ruinous to go on as at present. Here was Euler, in charge of wheat marketing, an Ontario man who didn't give a damn about wheat and who never had to meet wheat issues in his constituency. And here was Jimmy, bearing the brunt of the attack on wheat policy and without any control of it. It seemed unjust, nonsensical and so on. He said that he had not wanted Agriculture when he joined the government, as I well knew (this was referring to a talk we had in the Chateau in 1935 when he asked King for finance) but that he was keenly interested in the department now. But if the "chief' wanted him to go elsewhere he would obey orders. I asked him who he thought could be put in his place and he said Crerar. He did not think there was another alternative minister of agriculture.

I could not make out what he meant by this line of talk. He had seen King just prior to the supply department announcement and he had the impression that however Howe felt about it, Mr. King would

insist upon Howe retaining this portfolio. If it meant the surrender of the Transport Department, Howe would have to accept it. He asked if I had heard anything about MacKinnon - what department he was likely to get. I hadn't. He hadn't either. King had not been communicative. But he figured MacKinnon would get T.A.'s department or some part of it.

It struck me that Jimmy was figuring that MacKinnon would go to T.A's department. T.A. would take Agriculture. Jimmy would go to Finance and Ralston to Supply. That was why he was so interested in King's views about Howe.

King announced the new supply portfolio on the Monday. T.A. saw him before he went south on holiday. There was a good deal of talk and T.A. came away with the distinct impression that no changes of any kind were pending. T.A. is interested in MacKinnon's future. There had been some doubt as to the definiteness of the promise made in the election to give him a portfolio. Norman Lambert said that the promise was ironclad, in the form of a telegram from King to Lapointe read by Lapointe at his meeting in Edmonton. T.A. is of the opinion that MacKirmon, while a very nice chap, is not able enough to handle a major portfolio and T.A. is very keen to stay where he is. He does not want to change.

The day after T.A. saw King, Howe went to talk to King. Howe was worried about the impending cabinet changes. Howe does not want to leave the Transport Department. As between Supply and Transport he is determined to retain Transport. He would be happy to run the two together but if he must choose he will choose Transport.

Howe came back from King quite certain there was to be no change - that no dept of supply would be set up and everything would go on as before.

Jimmy got more out of King than the others, though how much was shrewd guess and how much plain talk I don't know.

King simply told the cabinet he had decided to create a supply department and that was that. The subsequent confusion in organizing the dep't is due to lack of warning.

Just where MacKinnon will be fitted in is hard to say. There are a few who think he may go to the State Department. The Quebec difficulties regarding this department continue to be insuperable. But most of the lads think that he will get all or part of T.A.'s department. This clearly is Jimmy's view.

The [*National Liberal*] *Federation*: Norm L. and King had a falling out last autumn when Norm wanted to do war work and King declined to allow him to be appointed to any govt position. At that time, I now learn, Norm expressed a desire to resign from the National Liberal Federation. King asked him not to do anything until after the election was over. During the campaign Norman turned all the routine campaign work over to Walter Herbert. He concentrated on the financial side and on the new organization in Ontario. On election night Norm was not invited to Laurier House. He was at Liberal headquarters and King never even telephoned there to thank the boys. King had given Walter a hell of a time, during the campaign; kept him working day and night, chiefly on matters affecting only the prime minister.

A week ago last Monday, Lambert had lunch with King and said that he had now filled the allotted time and desired to retire. Somewhat to his chagrin King immediately agreed, said this would be quite agreeable to him. He went on to say that he had the greatest satisfaction with Herbert's work and intended to offer Walter a post in his office, replacing Arnold Heeney. Norm who knew Walter's feelings said that he doubted if Walter would accept as he felt quite unsuited to secretarial work. But as far as Norman is concerned his resignation will now go forward and within a few months he should be out of the organization. I believe he has offered to do his bit in the future, if need arises, in the money end but he is talking of buying a farm near Toronto and going there to live.

Walter emerged from the campaign with so strong an antipathy to King that he simply could not bear to see him. Walter is nothing if not courageous. King telephoned him personally and asked him for lunch. Walter replied that he did not feel like going. King was very nice, saying that whenever he felt up to it to phone Handy and ask Handy to tell King. Walter did not do this. In fact Walter had about made up his mind that he would tell King that he had no desire to know him socially, or to have any direct contact with him. This would have been madness and we all argued with Walter-Norm, Joe Clark of Toronto and others - until we got him to work out a line of approach which would not offend King.

Walter had decided to leave the Federation. But after thinking it over he decided that he was willing to stay on and be secretary of it, doing a purely educational job and having nothing to do with the financial side. In due course King called him again and Walter went for dinner. He put his case to King who at once agreed and never

mentioned the job on his secretarial staff. King said that he had always had the same idea of the Federation as Walter had but that difficulties of personnel had always prevented him putting the idea into practice. Now was an excellent time to do so. He agreed that the work of the Federation should be cut off from the campaign fund end of politics. Walter would be the man in charge of it and King would give him a minister to head up the Federation. It would be a rare opportunity for any minister. Mr. King recalled that he himself, as a young ex-minister, had been in that position and had got to know the leading Liberals right across the country. This he thought had been a real factor in what followed - 1919 and the leadership etc. He asked Walter if he had any preference among the ministers. Walter said no, that he would be glad to work with anyone King named. Mr. King then said that undoubtedly the right minister for the job was Norman Rogers. (I think this conversation is very revealing on the point of King's successor). Walter, of course, would rather have Norman Rogers than any of them.

25.15 May 1940 [DP, QUA].

[Information in the following memorandum came from J.S. Duncan, deputy minister for air. Judith Robinson, in her Globe and Mail column of 11 May 1940, criticized the operation of the British Commonwealth Air Training Plan, charging that because of false economy on the part of the Canadian government, Canada would produce about 100 pilots over the next six months, when 5,000 were possible.]

Mr. J.S. Duncan, the new deputy minister for air, talked to some of us last night. He is anxious about the growing criticism of the [Commonwealth] air training plan, wanted to head it off. He gave us a great deal of information which is new. No doubt it should be qualified by the certainty that he was trying to put the best face on things, but I felt sure that he was telling the truth.

The trouble between some of the ministers, like Mr. Howe, and Duncan on the one hand, and the air force officers on the other, is twofold. The civilians feel that a wretched publicity job has been done on the plan; that all kinds of wild stories - like Judith Robinson's in the Globe - have been allowed to gain currency. The second point, and the most important, is that they feel that our air effort should be increased to the limit. They appear to have wanted to make this increase through the air training plan. But, evidently, the officers have talked them out of this - with the help of the British government - and they are now trying to work out some kind of an air training scheme outside of the

Commonwealth Plan-no doubt in defiance of the brass hats.

I take it this extra effort will be based on air instructors brought in from the U.S. and with U.S. flying equipment. I notice that some of the chief U.S. air experts arrived here this morning and I asked Duncan the direct question-if we could not get instructors from the U.S.-and he said that he had not yet been convinced that this was impossible.

He said that Judith Robinson had taken the announcement that 169 lads had begun training as proof that we would only produce 169 graduates six months hence. Technically, this was true. But she might have added that this was but the first class-beginning in May. Another and larger batch would begin in June, still another in July and so on. The plan grew larger and larger as it proceeded. Nothing had been said on key points, such as: how many men would be trained each year under the plan, when and how training would proceed, and the various divisions into which the trainees would be divided. Apart from these points, he couldn't see why there should be any secrecy.

It was regarded as unnecessary and most difficult to expand the air training plan for these reasons:

Duncan had cabled Britain asking if they desired the plan to be expanded and the answer had just come in. Britain emphatically did not want the scheme altered in any respect. Britain has more pilots, observers and so on than she can now use. She has thousands of trained airmen waiting for planes. Her shortage is in planes, not men. Therefore it will not advance Britain's air power one mite to add to the surplus of airmen.

The plan was carefully worked out against Britain's decisions with respect to expansion in plane construction at home and purchase in the U.S. The whole idea was to have the men available when the machines were available. The plan assured this result and Britain didn't want it tampered with.

Duncan was most definite on all these points.

To expand the plan would cause all kinds of trouble. It had been synchronized with the training schemes of Britain, Australia and New Zealand. Our classes were timed to receive lads from these parts of the empire on given dates etc. Any change in our plans would upset all the others-just as Australia's recent decision to extend the initial training period by two weeks had caused plenty of trouble here.

It would be futile to extend any part of the plan without extending it all. If you enlarged the initial training phase, you would graduate men who could not be accommodated in the senior schools. Then there was a problem of air mechanics. That was a serious bottleneck. Under the plan, we were training air mechanics from the ground up. This took time and it was hopeless to try and put schools in operation without the mechanics to maintain the aircraft in operation.

To revert-Britain has so many airmen in excess of planes that she has offered to send us over all the additional personnel we want for instruction etc. But she does not want us to alter the plan. We could do as we wished, presumably, outside of it.

The plan was geared to British production and purchases in the U.S. and no major change in either can be looked for.

Duncan agreed that it was disastrous to be turning young recruits away. But he thought it might be more so to take them on and then have nothing for them to do for months on end.

Apparently there will be a good deal of publicity along this line in the next week or two. Meantime he insisted on nothing being published.

26. 30 May 1940 [DP, QUA].

[Information in the following memorandum came from J.R. Murray and T.A. Crerar. RN. Biddulph was London representative of the Canadian Wheat Board.]

Wheat: talk with dynamite. While the cabinet in a general way had decided to close the market, there was much doubt and indecision as to when it should be done. J.G. Gardiner, of course, was ardently in favor of it and T.A. had come around to that view. At the first conference after dynamite's arrival he crystallized opinion along this line: the government certainly is not going to sell wheat at a loss. The cost price of wheat today is around 75 cents and presumably, regardless of the market, the wheat board would not sell very much wheat below that figure. It might well be, on the other hand, that Britain would be prepared to pay substantially higher than the prevailing market for wheat. If the British were prepared to do so, then the thing to do would be to close the market and sell to Britain. You couldn't sell to other customers at a lower price.

The opinion of most of those present was that Britain would never pay above the market price. Why not ask them, Dynamite suggested.

Accordingly a cable was sent to Biddulph suggesting that Britain agree to take her next three months supply of wheat at a price averaged over recent months and working out at 82 1/2 cents. The amount suggested to B. was 45 million bushels.

Biddulph boosted the price to 85 and the amount to 50 million and put it up to Rank. To the unbounded astonishment of the lads here Rank came back with the opinion that Britain would buy and would pay a substantial premium on the prevailing market. He thought 85 cents much too high and suggested 80 cents as reason-able. But he had grave fears which prevented him from making such a deal. What about all the various items entering into cost - insurance, lake rates and so on? These might vary so much as to make the bargain a bad one. And we mustn't sell to other customers at a lower figure.

But the astonishing point made by Rank was that above all he did not want the Winnipeg market closed. The market must be kept open. One act which would remove some of the difficulties would be to raise the present peg from 70 to 80 cents per bushel. That would prevent (on the basis of his proposed price) our selling more cheaply to others.

The cable to Biddulph was from the wheat board and the negotiations proceeded not as between governments but as between boards. Our answer to Rank's cable was to say that we were confident that we could protect him against the eventualities he mentioned but at every point it would be necessary for us to close our market and turn the wheat business over entirely to the wheat board.

He [*Rank*] was in Ireland when this cable reached London but his associates made the reply, after consulting him by phone. The first essential, said London, was to keep our market open. The cereals board would rather run the risks already mentioned than have it closed. They didn't mind if some wheat was sold to others at a lower figure. Indeed, they could buy themselves, supplementing the amount in the agreement. London was prepared to waive these early objections if the market was kept open.

In reply we said we were prepared to advise the government to accept Britain's proposals, including the open market, provided the price was reasonable.

This interchange, J.R. says, stunned Gardiner. But he accepted it without a protest. He read the British cable demanding the open market over and over again, as if unable to believe his eyes.

The deal went through this afternoon-50 millions between now and Aug 15 at 82 1/2 cents, market to be kept open.

J.R. believes the market will have to be closed with the new crop, as, he says, there is only a shell of a market left anyhow. I presume, however, that Britain's position will remain unaltered. Rank is sold on the open market idea.

I'll miss the mail if I don't quit. Will continue tomorrow. Latest cable to King tonight, T.A. tells me, says they have already with-drawn 80,000 men from France. It is proceeding at the rate of 2,000 per hour.

CHAPTER II

THE BUILD-UP OF THE CANADIAN WAR EFFORT, JUNE 1940 to MAY 1941

Because Dexter is reporting on government in Ottawa, he does not deal directly with the cataclysmic events of the war in Europe in the spring of 1940, but it is these events that shape the mood and activities of the Canadian government. The phoney war gave way to Blitzkreig. In April Germany overran Denmark and invaded Norway. The failure of a British expedition sent to aid the Norwegians led to the resignation of Neville Chamberlain as prime minister; his successor was Winston Churchill. In May Germany invaded Holland and Belgium. German troops swiftly broke through the Ardennes into France, splitting the Anglo-French forces before moving west to the sea and south to Paris. Paris fell on June 14, but by June 3 the British had evacuated almost all of their Expeditionary Force from Dunkirk. They were forced to abandon all their heavy equipment, but they took with them a large number of French troops. French resistance collapsed. In the armistice concluded on June 22 Germany gained control of northern France and the entire French coastline, and Marshal Philippe Petain took control of unoccupied France. He established the headquarters of his government at Vichy.

With the collapse of France the British were left to face Hitler without a single European ally, and they braced themselves for invasion. To prevent the French navy from falling into German hands, British forces seized French vessels in British ports and at Alexandria, and on July 3 destroyed units of the main French fleet at Oran in North Africa. Nevertheless, Hitler gave orders that preparations for the invasion of Britain go forward. In August the Luftwaffe therefore began a great battle for air supremacy over Great Britain.

In what had suddenly become a war for survival, Prime Minister Churchill appealed urgently to President Franklin Roosevelt for destroyers, aircraft and other arms. Roosevelt was slow to send

material aid but quick to seek assurances from Churchill that the British navy would not be surrendered to Germany. Also, as part of a scheme of continental defence, the president offered to form a military alliance with Canada. It was accepted at once, and an agreement setting up a permanent joint board of defence was concluded by Roosevelt and Prime Minister Mackenzie King on August 16 at Ogdensburg, New York. The Ogdensburg agreement, though popular in Canada, received a cold response from Winston Churchill who viewed it as a deliberate shift of Canadian allegiance from the Commonwealth to the United States. Anglo-American relations were strained throughout the summer of 1940 until September when an arrangement to exchange British bases for American destroyers provided the first American aid to Britain, and the victory of the Royal Air Force in the Battle of Britain caused the postponement of German invasion plans.

The fall of France made Canada the senior ally of Great Britain, an unaccustomed eminence which appeared to call for some response. In Parliament the Conservative opposition urged that a state of national emergency be proclaimed and it renewed demands for conscription and a coalition government. But there was no short-age of volunteers for the armed forces, nor were there any strong contenders for a cabinet appointment from the Conservative opposition. Nevertheless Mackenzie King did introduce conscription for home defence through the National Resources Mobilization Act which was passed in June. As well, there was to be a national registration of manpower. Both the act and the registration were to be the responsibility of a new department, National War Services, under J.G. Gardiner, who continued to be minister of agriculture.

Although King made no dramatic response to Canada's new seniority among Britain's allies, he attempted to broaden his government by bringing in prominent citizens from outside Parliament, for example, Angus Macdonald, the Liberal premier of Nova Scotia. Macdonald became minister of national defence for naval services. Much more important in strengthening the government were the internal changes necessitated by the sudden death on June 10 of Norman Rogers, minister of national defence. Mackenzie King assigned defence to J.L. Ralston; he promoted J.L. Ilsley to minister of finance; and he gave C.G. Power, recently made minister of national defence for air, the additional title of associate minister of national defence. With these changes, and with C.D. Howe at Munitions and Supply, the prime minister had unquestionably

strengthened the departments of his government most directly concerned with the war effort. On matters of general and regional policy he continued to rely on Ernest Lapointe, J.G. Gardiner and T.A. Crerar.

Neither the cabinet changes nor the passage of the National Resources Mobilization Act receive more than cursory treatment in the memoranda. Dexter was away from Ottawa most of the summer, helping to arrange a September tour around Canadian war factories and defence installations for American newspapermen. The tour was supposed to publicize Canada's war effort in the United States and bring the war closer to home to the Americans.

In the spring, however, he had been on hand to register the impact of the German blitzkrieg on Ottawa. Because of its loss of equipment at Dunkirk and fear of an imminent German invasion, Britain ceased abruptly to be a supplier of aircraft for the British Commonwealth Training Plan; instead the British asked for emergency aid from Canada. The Canadian response is the subject of the memorandum of 31 May 1940. In this and subsequent memoranda Dexter makes clear that the disasters in Europe galvanized the war effort in Canada. The four Canadian destroyers and the total Canadian supply of small arms ammunition were sent at once. Further, Canadian sniping at the British sharply declined: the Canadian government began to feel like an ally of Great Britain rather than a colonial power struggling to be free. Reporting on the House of Commons, Dexter wrote that the government:

> last night got hell for not having enough ammunition to keep our soldiers in practice at the butts. No reply was made. If the gov't replies, Mr King thinks we would be telling Hitler that Britain will soon be impotent in the air, not for want of men or machines, but for lack of ammunition.[1]

There were other signs of an acceleration in the war effort. The government announced that a second Canadian infantry division would soon be sent overseas to form part of a Canadian corps in Britain; other infantry units would be sent to Iceland and the West Indies. Before the year was out plans were being laid for a third and a fourth division for overseas service. The Department of Munitions and Supply also launched an aircraft industry in Canada because the United States would not assure supplies of training aircraft. Before the industry could get underway, however, Ralph Bell, the Department's newly appointed director of aircraft production, purchased 500 Cessnas in the United States. He also secured an option on 500 more.

The rapidly mounting needs of the British and Canadian armed forces for equipment and munitions brought in a flood of war orders-$500 millions' worth by the end of October 1940.[2] What this meant was that the limping and unsophisticated prewar economy was about to be transformed into a booming wartime one. The pre-siding genius was C.D. Howe, minister of munitions and supply, though as Dexter makes clear, he was not perceived in exactly this light at the time. Howe's philosophy seems to have been "damn the torpedoes and full speed ahead," seize the right men, put them in place, and expect great things of them. Of course, mistakes would be made and delays would occur, but these could be rectified: for such a short-tempered man, Howe was philosophical in this respect. He did not brood over the difficulties, but rather assigned someone to solve them. There were great difficulties with respect to the production of aircraft, as Ralph Bell makes clear to Dexter.[3] It was no doubt the same in all types of war production. Factories had to be built or enlarged, designs decided upon, machine tools made or imported, a labour force assembled and trained, and both power and transportation facilities provided. It all took time: Churchill told J.G. Gardiner it would take three years. C.D. Howe did it in less, but his progress did not escape criticism.

Howe had two critics in high places: J.L. Ralston, minister of national defence, and J.L. Ilsley, minister of finance. In March 1941, Ralston told Victor Sifton that "he had no confidence whatever in Howe," the problem being that he had great difficulty in extracting tanks and guns from the Department of Munitions and Supply.[4] Howe took Ralston's indignation very calmly, as Dexter reports: "he seemed rather amused by Ralston's impatience, didn't regard the delays in deliveries as of importance." And Howe went on to rub salt in the wound by saying, "this would not be the first time-by any means-nor the last time that the British would have been told that production is behind schedule."[5]

What Ilsley wanted from Howe, and did not get, was information about the cost of production. Howe's exuberant distribution of war contracts, frequently unaccompanied by precise cost estimates, left the finance minister in ignorance of how much was being spent and how much would have to be raised to pay for it. Ilsley and his advisers turned to H.R. MacMillan, one of Howe's leading dollar-a-year men and made him chairman of a Wartime Requirements Board with the responsibility for finding the necessary costing information. MacMillan interpreted his mandate broadly. He went on to assess the

efficiency of the Department of Munitions and Supply, and when Howe returned from a visit to Britain, he presented him with a report recommending extensive changes. Howe made short work of MacMillan and his report, and Dexter enjoys reporting the details of this tempest. The problem of financial assessment remained, however, because new enterprises of the sort that Munitions and Supply were backing were difficult to cost. In February 1941, Ilsley complained to Norman Lambert that "Howe is running a government of his own."[6]

Because expenditures were sharply accelerating, the federal government became anxious to increase revenues. Its attention turned to personal and corporate income tax and succession duties, direct taxes to which access was shared with the provinces. The Rowell-Sirois Commission had recommended that these taxes should be transferred completely to the federal government, but the Commission's report had been rejected by the provinces at the Dominion-Provincial Conference in January 1941. Subsequently, the provincial governments agreed, through a series of tax rental agreements, to allow the federal government a monopoly of these direct taxes for the duration of the war and for one year afterwards. These agreements cleared the way for the higher income taxes which were a marked feature of Ilsley's wartime budgets beginning in 1941.

Two other financial problems became serious in 1941. How were British purchases in Canada to be financed, and how was Canada to pay for purchases made in the United States? Before the war Britain normally ran a deficit in its trade with Canada, with the resulting accumulation of pounds sterling converted into American dollars to balance Canada's usual trade deficit with the United States. The convertibility of pounds sterling into American dollars ended with the outbreak of war. However, the British kept on buying Canadian foodstuffs-flogged energetically by J.G. Gardiner who was trying hard to rescue western wheat farmers from near-depression conditions. And from the spring of 1940 the British greatly increased their purchases of Canadian war supplies. At the same time, their exports to Canada declined. As a result, Canada held a steadily increasing supply of pounds sterling. Meanwhile rising Canadian purchases of American war supplies enlarged Canada's trade deficit with the United States and rapidly drained Canada's supply of American dollars.

The problem of Canada's shortage of American dollars was solved by President Roosevelt and Prime Minister King, and Dexter presents King's account of this triumph in the memorandum of 11-12 April

1941. Under the Hyde Park agreement of 20 April 1941, the United States agreed to purchase $200 to $300 millions of defence items from Canada over 1941-42; as well, the British would be allowed under the new American Lend-Lease Act to secure American component parts for war materials produced in Canada for Great Britain, and forward them to Canada for inclusion in the finished articles. Partly because of the Hyde Park Agreement and partly because of other large American expenditures made in Canada subsequently, Canada's shortage of American dollars turned into a surplus for the remainder of the war.

The problem of the sterling surplus was more intractable. The repatriation of British holdings of Canadian government bonds in payment for British purchases in Canada did something to reduce the accelerating surplus of pounds sterling. Yet, as Dexter learned from the governor of the Bank of Canada, no serious attempt was made to put the British "through the wringer", that is, to compel them to liquidate all their Canadian securities. Inevitably, repatriation was no more than a stop-gap measure; sterling balances continued to accumulate, and it was not until 1942 that a real solution was found.

The rapid expansion of war production after the fall of France meant that expenditures outstripped government revenues. The final memoranda in this chapter describe a flurry of financial anxiety. Could this gap, variously estimated at $500 to $700 millions early in 1941, be closed by additional taxation and borrowing, or would the government resort to currency and credit expansion? Such expansion would further stimulate the economy and thus increase tax revenues without an increase in tax rates, but would it not also produce inflation? The editors of the *Free Press*, who considered inflation immoral and disruptive, found the prospect acutely disturbing, and asked Dexter to find out whether their anxieties were shared by the Ottawa authorities and, if so, what solutions were being devised to close the gap. After consulting senior officials in the Department of Finance and the Bank of Canada, Dexter reported that the danger of inflation was not seen as acute because the economy was not yet in a condition of full production and full employment. As to when it would be, expert opinions varied, but one disquieting estimate predicted something like full employment in heavy industry by June of 1941. Nevertheless, the government was less alarmed than the Free Press editors. It would raise income taxes in the budget of 1941-42 and would continue to rely on taxation and borrowing to reduce the gap between revenues and expenditures. Since

some depression slack still remained to be taken up in the economy and since the cost of living had risen only 10 per cent between the outbreak of war and the end of 1940, it did not seem that the time was ripe in the spring of 1941 for the application of drastic controls over prices and wages.

References

1 Memorandum, 31 May 1940. DP, QUA.
2 Memorandum, 28 October 1940. DP, QUA.
3 Memorandum, 11 December 1940, DP, QUA.
4 Memorandum, 25 March 1941. DP, QUA.
5 Memorandum, 30 March 1941, DP, QUA.
6 Memorandum, 5 February 1941. DP, QUA.

MEMORANDA

1. 31 May 1940 [DP, QUA].

[Information in the following memorandum came from Senator Norman Lambert, T.A. Crerar, Hooper of the British mission, and Bruce Hutchison. Morris Wilson was president of the Royal Bank of Canada. Ivan Rand was a legal counsel for the Canadian National Railways and a former attorney-general of New Brunswick. Four, not six, destroyers were sent from Halifax to Britain, all that Canada had available (J.W. Pickersgill, The Mackenzie King Record, Vol. 1. Toronto: University of Toronto Press, 1960. p. 122). Major General V.W. Odlum was General Officer Commanding second Canadian division, 1940-1941. Odlum's fig-ures were wrong. The British had ten divisions on the western front; the French, 94 divisions; the Germans, 134. Italy declared war on 11 June 1940. General Weygand replaced General Gamelin on May 19 as supreme commander of the British and French forces in Europe.]

Past week chaotic beyond words. Been going the rounds, talking with ministers and others. Bruce [Hutchison] has been here and we have been pooling our information. T.A. been most helpful although all ministers good.

Talked with Norman Lambert yesterday morning. He had just come from King who had called him in re cabinet changes. Wanted any suggestions he might give of new men. Norman recommended Wilson of the Royal Bank as minister of finance, meaning that Ralston would go to Defence. Also Rand of the Maritimes and National Railways as minister of transport. Hadn't been able to think of anyone from Ontario. King told him that the reorganization must be timed to follow the lowest point in the immediate campaign in France. King, obviously, expected (this was Thurs morning) that the greater part of the British expeditionary force would be lost [at Dunkirk] and that the disaster would occur within 48 hours-that is by Saturday. He said so to Norman. He thought that he should move at zero hour. If he moved earlier the news from the front would wipe out the advantages. Norman said that nobody disliked King more than he did. He had been talking things over with members in the Senate and with chaps around the country. There was no alternative to King. Ralston would be impossible and could not hold Quebec. Ralston is impossible because he is unable to delegate work and has already become the bottleneck of the government where he is. This is perfectly true as the ministers testify whenever or wherever they get together. Treasury Board has been going on almost daily and until midnight and after, because Ralston cannot pass even an order for superannuation without putting in an hour or more arguing whether it is too much.

The complete breakdown in the war program occurred over the weekend of the 24th to 27th. The air training plan was based on British engines and air equipment-that being their contribution. Our army was to be equipped with tanks and guns and other heavy equipment by the British. When the disaster became plain, the British notified us that they could not give us any further equipment whatever. We must work out our own salvation. They were proceeding on the assumption that Germany would invade Britain and must keep all their war materials for themselves. The state of British preparedness we know. They had only partial equipment for eight divisions and these divisions were in France, plus other British troops sent there for training. These divisions had no tanks heavier than mark 111 light tanks. I saw a confidential memo giving the facts in this regard and showing that Britain had never produced heavier tanks because of their cost. The British treasury declined to approve the expenditures. Light tanks, they said, would do well enough. They are now going into the production of heavy tanks but output will not commence until 1941.

Notice that they could not aid us at all was followed within 48 hours by appeals for aid from us. They recalled most of their personnel - here for training purposes. All aircraft suitable for active ser vice was packed up for shipment home forthwith. This is true, also, of all guns, mechanical transport and so on. They swept bare all our stocks of ammunition-over 50 million rounds. There is not enough ammunition in the country now to keep our troops in rifle practice. Our plants are running three eight-hour shifts and all of it is going to Britain. Apparently, the British underestimated the consumption of ammunition by airplanes. Last Tuesday night our six destroyers sailed from Halifax for Britain to help guard the channel, leaving our Atlantic seaboard protected by one or two French submarines.

This decision reduced our war program to chaos. The air training plan was finished. All our airplane industry which is based on British engines or frames not produced here, was brought permanently to a dead stop.

T.A. tells me that as the U.S. was the only alternative source of supply, King phoned Roosevelt and Howe flew to New York. With the help, informal and indirect, of Roosevelt, Howe got enough engines and air material to carry the air training plan forward on schedule. But on British insistence we scrapped the idea of training men to be instructors so that we would be turning out large numbers of airmen in 1941 and thereafter, and are now sending our men to Britain as fast as

they can be trained. It will be a continuous trickle instead of, later on, a great stream.

The appeal to Roosevelt, unquestionably, was North American defence. The British, I gather, told us that invasion of Canada was no longer out of the question. We must have it in mind. King appealed to Roosevelt on the ground that U.S. aid fundamentally was for North American defence, as vital to the U.S. and us. The government, also, announced the third and fourth division to take care, as King said (vaguely) of all possible contingencies. These are really home defence troops.

Meantime Brucie had a long talk with Odlum who gave him his candid opinion of the war situation. Odlum is just back. The British have eight divisions. The French have 100 divisions. None of these troops, in equipment tanks etc., is comparable to the German troops. The Germans have 200 divisions fully equipped. Italy has 40 divisions. We are, therefore, not only desperately inferior in equipment but are outnumbered more than two to one, if Italy comes in, which everyone here believed will happen within a week. (The Italian embassy here was burning papers, destroying documents etc, days ago.) The only thing Weygand can do is to hold on and hope to stave off early defeat. If we can hold out for two years, it should then be possible to take the offensive with confidence. Meantime we will have righted our position in the air and in tanks etc. He says there is absolutely no hope of making headway against the German army this year or next.

The attitude here is that the gov't must take the rap and not lay the blame on Britain. The gov't last night got hell [in the House of Commons] for not having enough ammunition to keep our soldiers in practice at the butts. No reply was made. If the gov't replies, Mr King thinks we would be telling Hitler that Britain will soon be impotent in the air, not for want of men or machines, but for lack of ammunition.

Lunched with Hooper of the British mission ... He put up the British viewpoint re orders here. Two reasons why Britain would not place large orders in Canada for planes and tanks etc. The first is financial. The British treasury would not spend a dollar more than absolutely necessary outside the sterling area. They must get vast supplies of food and metals and must cut other outlays.

It was true, also, that the British wouldn't give us plans. The plans for some of the naval vessels now building are still lacking. Order for tanks given last October, partial plans sent out in Jan. and withdrawn in April - because project finally deemed impracticable.

British believed it would be folly trying to produce aero engines here. An immense job and much easier to expand existing plant in the U.S., and at home. It would take several years to get into production and the cost would be prohibitive in comparison with U.S. prices. Can't build tanks without armor plate and to produce armor plate here would cost huge sum and take years. We could only make hulls of tanks anyhow, as another engine problem involved in tank engines which are much larger than and different from motor engines. If we didn't make armor plate here we would have to get it from the U.S. and as Britain had bought all U.S. production this would only mean taking plate from them. They could use it more efficiently than we could. Nearly every manufacturer in Canada been to them for orders. They all thought they could make this or the other but on examination it was found that they could only do so if their plants were greatly extended and new equipment installed. Manufacturers unable and unwilling to put up this money unless they got it all back on first orders. This made cost prohibitive, in relation to U.S. costs. No use trying to make guns in. Canada when Britain could go to the U.S, and buy them off "the peg." It all sounded exceedingly hopeless.

2. 7 June 1940 [DP, QUA].

[Information in the following memorandum came from J. L. Ralston. After Dunkirk, the first Canadian division was one of two sent to France to fortify French morale, only to be recalled almost at once when it became clear that France had fallen. Joseph P. Kennedy was the American ambassador in London.]

Budget: Impossible calculate expenditures. Present estimate for war was $700 millions but this included an estimate of expense for maintaining division at the front, with replacements, casualties and so forth. He was not now sure if our division would go to France (highly significant statement re British attitude towards French) and if it didn't there would be substantial saving on this account.

His confidence in King is sublime. The "ramp" against King is national sabotage as there is absolutely no one capable of taking his place. He has not discovered the slightest trace of defeatism in King. The show in the caucus was a special performance and was provoked by the attitude of many of the Liberal members, chiefly Quebeckers, who demanded pork barrel expenditures, public works and so on. He aimed to scare the daylights out of them, to try and make them appreciate that we are at war.

Ralston stresses King's ability to hold the country together-Quebec-wise-but the chief point he makes is that King is now the hinge between Churchill and Roosevelt. He seems to be much closer to King than the other ministers and to have a much clearer idea of what King is doing. He said that King had assumed this liaison role on Roosevelt's invitation. King and Roosevelt talk over the phone on a private wire every day and Roosevelt prefers this channel of communication rather than the direct line through Lothian or his own minister. The communications are addressed to King whose job it is to pass them along and discuss them. Ralston intimated that the U.S. decision to turn over war supplies immediately to Britain and France was King's work, although perhaps R's suggestion. Ralston had found King in his office at 2 a.m. working on this proposition. King had said that he was played out, finished and couldn't carry the load, or words to this effect. Ralston told me he said: "Chief, you've got to go through. The despatch you are working on may mean victory, the saving of civilization." King agreed. Which indicates Ralston's position fairly well. Willie may be doing all he says but, in any event, he sure has J.L. buffaloed.

British orders and some French too have flooded in during the past 48 hours. The tank job is worth $12 millions, although it will be a long time before we can get into production. Howe's assistant told us the other night that these tanks use big gasoline engines, not diesel as Howe said, and it would take a long time to produce them in this country. We have no rolling mill capable of handling armor plate of a thickness greater than 2 inches. These tanks use 4 inch plate.

The other orders include an additional explosives plant and a very large "stuffing" plant-stuffing all kinds of shells from the little ones up to 9.2's. We are making all these shell cases now at Three Rivers. The French have ordered the erection of a large cellulose plant. The whole works, Howe told T.A. this morning, exceeds $50 millions.

Ralston also said that King really got the engines to carry on our training plan: Howe just put the deal through. He said that King was getting all kinds of other assistance from Roosevelt. He said that the co-operation could not be closer or the results more effective for Canada.

3. 20 August 1940 [DP, QUA].

[Information in the following memorandum came from Mackenzie King.
The Ogdensberg agreement of 17 August 1940 created an American-Canadian defensive alliance. After Denmark fell to Germany, the governments of Canada and the United States moved to secure the supplies of cryolite in Greenland for the Aluminum Company of Canada, without intervening in the government of that Danish possession. At the insistence of Japan, the British government agreed that the Burma Road, a major supply route for the Chinese in their continuing war against Japan, should be closed for three months. The report of the Royal Commission on Dominion-Provincial Relations-the Rowell-Sirois report-was published in May 1940. R.B. Hanson, MP for York-Sunbury, N.B., and minister of trade and commerce, 1934-35, in R.B. Bennett's government, on May 13 replaced R.J. Manion as leader of the Conservative party in the House of Commons.]

War would spread. Despatches indicate Japan coming in, and in close alliance with Germany. Jap shipping being withdrawn. Washington seeking to halt Japan from all waters not controlled by Japanese sea power and in some of the more distant areas it is being withdrawn in undisguised haste-cancelled passages and sailings without cargo. Washington is making every possible move short of war to halt Japan and the defence agreement had a distinct meaning in this sense, also a very practical application to what might be the immediate needs of Canada within a few weeks. He did not say that he expected any attack on the west coast but this was his implication.

There was now confidence in inner circles in Britain and a real belief that they can stand up to whatever Hitler has to throw at them. This was not so three or four weeks ago but the growing confidence was a very real thing in terms of British morale. Also the U.S. experts had been greatly surprised and delighted with Britain's fight.

Nevertheless, there would be dark, perhaps darker, days ahead. Enemy plans for a major attack on Gibraltar were known and the attack is expected this fall. A serious attack on Egypt is also certain and the defection of the French in the Mediterranean and the Middle East places the British in an exposed and highly dangerous position.

He believes, from despatches, that Germany and Russia are also in complete accord and he expected fresh Russian aggression, perhaps against Finland.

The Japan danger being as real as it is, nothing is to be said about what we are doing in Greenland (along with the U.S.). The British say it would be most unwise to give Japan any precedent for the occupation of territory: they might adopt the practise with respect to the Dutch East Indies.

He thought the sinking of the French fleet [at Oran] the most decisive stroke since Dunkirk. Had the French fleet fallen to Hitler, the U.S. would have had to abandon the far east-where their fleet "is protecting British interests"-(I don't know if he was aware of the significance attaching to that phrase) and the situation would have gone to hell with shocking speed. The sinking of the French fleet therefore was a tremendous stroke for the U.S. and this, coupled with the defence being put up by the British, had moved U.S. public opinion very rapidly towards closer co-operation. He thought there had been a great change in the U.S. attitude and Roosevelt agreed with him.

Behind the scenes Canada and the U.S. were doing everything possible to put a crimp in Japan. No embargo had been placed on exports to Japan because the British government believed such an act might tip the scales and bring Japan into the war against us. The same line of reasoning in London dictated the Burma road policy. But on Britain's suggestion we were now buying in all the output of war materials of which Canada was the only or the chief source of supply for Japan and were telling Tokio that we were very sorry but had none to sell. The U.S. was working along similar lines.

He thought that the [Ogdensberg] agreement was exceedingly important. Ever since the world had begun to slide into the abyss, nations had declined to ally themselves against aggression because they believed that their neutrality would be respected. It was so with Norway and Denmark and Holland. Britain had pleaded with those countries for staff talks and plans for mutual defence-without success. Belgium had broken her defence pact with France because she believed complete neutrality meant greater safety. Now the U.S. had not hesitated to make a defensive alliance with a country at war.

He seemed very optimistic about the trend of public opinion in the U.S. and the degree of co-operation between the U.S. and Britain. What he had in mind, I gathered, was that the U.S, would come in if Japan moved-but he did not go that far.

Britain, he said, is trying to placate the Vichy government and had suggested that we send our minister and legation staff back. He had declined to do so but had not dismissed the French minister here. His remarks on this point didn't quite jibe with Churchill's remarks re France.

He said that nothing had been done regarding the Sirois report and declined to discuss developments with respect to it.

Met Hanson on the street and he said that his health was improving. Had been swimming for 50 minutes last week. He must take off weight.

His trouble comes from too much fat around the heart. Thought King was acting the part of an Imperialist but would not criticise the defence agreement as he had King's solemn word that no commitments were involved. He knew through friends that Churchill had no use at all for "the little son-of-a- bitch" (his usual way of referring to the prime minister) and suspected that King had an equal dislike for Churchill. The gov't needed close watching and constant prodding but he thought things were going much better than a few months ago.

4.13 September 1940 [DP, QUA].

[Information in the following memorandum came from Major General H.D.G. Crerar, chief of the Canadian general staff. R.S. Malone, formerly of the Regina Leader Post, was staff secretary to the minister of national defence. Colonel E.L.M. Burns was assistant deputy chief of the general staff, 1940-1941. Major General E.J.C. Schmidlin was quartermaster general. The scheme of compulsory military training set up under the National Resources Mobilization Act of June 1940 originally provided one month's training after which the trainees returned home unless they volunteered for active service. It was soon recognized that one month was too short a training period and it was extended, by stages, first to four months and then for the duration of the war.]

Conversation arose out of discussion regarding impending tour U.S. newspapermen. Dick Malone present.

He regards the existing war organization, using the term in the broadest sense, as most inefficient and unsatisfactory. There is an urgent need of co-ordination not only at Ottawa but between Canada and Britain and, as well, between Britain, Canada and the U.S. with respect to production of war equipment.

On the last point-instead of all three governments competing for U.S. production, the needs of all should be rationalized and con-trolled by a self-imposed system of priorities. With respect to the U.S. and Canada, our production should dovetail. Where we can produce parts of war machines, guns etc., we should do so not only for ourselves but for the U.S. They should make the other parts. He applied this particularly to armed vehicles requiring armor plate-the plate from the U.S., the chassis from Canada.

Our war effort largely botched. Pressure groups in the country had driven the government along wrong lines. There should have been a clear-cut plan from the outset and it should have been adhered to, despite political agitation.

He was particularly angry about the national training scheme which as a military policy was very costly and completely useless. Of what possible utility could it be to train men for 30 days? None. We now had in Canada a direct conflict in policy-compulsion at home,

voluntary enlistment for overseas. These were mutually destructive and in combination they must hamstring our industrial effort. You mustn't take men off machines for training. That was being done and it amounted to a kind of sabotage. There must be a showdown on this national training policy within a few months-he said by the turn of the year. Either the policy must be abandoned as wasteful and useless or we must adopt a real policy of compulsory training and call men and really make soldiers out of them. I inferred that we would then call up a very much smaller number than the 300,000 who are to be trained for 30 days, and keep them in the army for a year or more.

The organization was wrong from beginning to end. This was war and the needs of the war must be paramount. If we were not fighting the war and there was no danger of this country requiring an army, navy and so on, then the defence departments should be closed up and the money saved. But if we did need fighting forces then the war policy must be determined on the advice of the experts who were at the top of the services. That is, army policy must be decided on the advice of the Chief of the General Staff-Navy policy on the advice of the reigning admiral and so forth.

At the present moment, the minister was taking advice from all directions. It was all very well for him to have executive assistants but they must not encroach upon the ground of high policy. They could be active in carrying out policies after they had been laid down, but they must be kept off the new ground. Likewise, the minister had no business discussing matters of policy with other heads of branches such as the Quartermaster General (and, he might have added, the Adjutant General, the Master General of Ordnance and so on.) They too should be vigorous and active in administering policies already decided. They had no business moving upon the new ground.

The Chief of the General Staff was the military expert of the minister. Under him there should be a staff coordinating body which would coordinate the operations of these other branches. He was now setting up such a body and was recalling a brilliant lad from England to take charge of it. Meantime Burns was doing the preliminary work.

The deputy minister had no business interfering in policy, nor had he any business interfering with the heads of the fighting services. The deputy minister's job had never been rightly understood in Canada. He was not the deputy of the minister, as the title would indicate. He ought to be, as the under-secretary in England, merely the financial administrator-keeping the books straight and arranging the money end

of things. He was purely an administrative man-administering the activities controlled and directed by the experts.

There was an urgent need of coordination as between the army, navy and air force. Some system of priorities in supply would have to be worked out. All he needed to bring this about was the okay of the minister. If the minister agreed, he could get the right people from the other services and work out the detail. The larger coordination problem, of course, would have to be done by our government in co-operation with the other governments concerned.

The present situation could not continue. The national training scheme was pure window dressing and worthless, and the government must know it. He had so advised his minister.

Unless his views on this matter of organization were accepted, he would have seriously to consider his position. When he had come to the department he had actually found that the minister and three executive assistants met each morning in the minister's office and decided policy-in the absence of the chief of staff. He had stopped that. He now attended such meetings when they were held but he indicated that matters of policy were now discussed chiefly between himself and the minister.

If the minister, in future, decided matters of policy in the absence of the chief of staff, he would consider resignation. If the policy was an important policy he would at once tell the minister that, obviously, he lacked confidence in the present chief of staff and must get someone in whom he had confidence. If it was not important he would probably let it go with a protest. But by the way he talked he is alert for a case upon which to bring this matter to the test. He wants a showdown.

The essence of his talk was:

Soldiers are soldiers-they know about war.

Politicians are politicians-they have their undeniable uses but planning and carrying on war is not one of them. Politicians, in times like these, must clear out of the way of the men who know what must be done and how to do it.

Unfortunately, he said, the army chiefs suffer from the occasion-al stupid remarks made by a few of their number. There was Schmidlin's speech about the man with the bayonet winning the war. It was incredibly stupid but why should all the generals be punished for one man's stupidity. Schmidlin probably was a very sound engineer.

5. 12 October 1940 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar. Pierre Laval and Georges Bonnet were members of Marshal Petain's government at Vichy. General Charles de Gaulle organized and led from London a Free French movement. On 10 June 1936 Neville Chamberlain condemned the continuance of sanctions against Italy as the "very midsummer of madness." J.W. Dafoe in a letter to Dexter, 16 October 1940 (DP, QUA), commented on Dexter's references to Lapointe: "Penitence undoubtedly becomes both King and Lapointe; but I am sorry to hear that Lapointe is taking it so hard. His only way of making amends is to keep on doing what he has done so admirably since the outbreak of war. Lapointe and King may have made a larger contribution to the disaster than we know. The Riddell incident may have been a decisive factor in halting the further application of sanctions. I have sometimes feared there was collusion between King and Chamberlain about the double barrelled and simultaneous withdrawal of sanctions in June 1936; & King was certainly in on the appeasement racket in 1937 & 1938.

The extraordinary, incredible and really unforgivable thing about the policies that all these men pursued was their inability to see the issue behind the incidents which they judged on narrow grounds. Lapointe's observation about Ethiopia not being worth a Canadian soldier's life is a perfect illustration. For Ethiopia in the set-ting say of 1905 this would have been true; in 1936 the issue wasn't Ethiopia but the future peace of the world. How many thousands of Canadians will die because of Ethiopia?"]

At treasury board on Friday the fighting departments came forward with their estimates for the next fiscal year. The total money they would require was $1,250,000,000. which knocked the wind out of the rest of the cabinet. (Victor [Sifton] tells me privately that the army budget is for $800,000,000.) Piecing the budget prospects together we allowed $448 millions for normal expenditures; $500 millions for Howe and $200 millions additional for the British government. He understood that in addition there would be substantial amounts to be spent on the recommendation of the Joint Defence Board.

Under more favorable business conditions present taxation might yield a little better than a billion dollars. Can we borrow $1,200 millions in a year?

He is concerned about the state of mind and of health of Lapointe. Lapointe had a recurrence of his old trouble-diabetes-early in the summer and King sent him away for a prolonged rest. The collapse of France affected him profoundly. His melancholy has deepened and he is subject to fits of crying etc. He wants very much to get out of public life. The reaction of the French collapse has been deepened by the fact that Lapointe is a warm friend of both Main and Weygand and cannot believe that either of them is an unworthy

citizen of France. Laval, Bonnet and the rest he dislikes. But he can-not believe that Petain and Weygand are traitors. Also he knows and heartily dislikes and distrusts de Gaulle. Mr. King asked T.A. to pay special attention to Lapointe after Lapointe returned from sick leave-not to leave him alone, get him out-of-doors, take his mind off things. T.A., therefore, has been seeing a good deal of him and has come to the conclusion that Lapointe is haunted by his own line of policy in recent years. He says that in 1935, immediately after the government came in, there were hot sessions in cabinet over sanctions, continuing right up to mid-1936 when King supported Chamberlain's mid-summer madness speech. Lapointe now feels a frightful responsibility and he is stricken by the thought that he was wrong. He keeps harking back to the pre-war period as if wanting reassurance.

My own memory of that period is hazy, except for a talk I had with Lapointe re the oil sanctions and Riddell. But I did turn up by accident today a report of a speech made by Lapointe in the 1935 campaign, on Sept 11, in which he said "Nothing is at stake in Abyssinia which is worth the sacrifice of a single Canadian life."

Mr. King also has been behaving very queerly along the same line. He does not show it like Lapointe. He seems continually to be thinking of 1935 and 1936 and of what he did and he seems to admit, to himself if not to others, that he has a share of responsibility for what has happened. He gets his release by burying himself in war work. He is working tirelessly. There is no doubt, says T.A., of his heart being in the fight. But the snag in his mind appears to be some-thing that he did on his visit to Berlin to see Hitler, carrying a message from Chamberlain, in the fall of 1937. He has a queer personal hatred of Hitler.

MacKinnon is standing up to Gardiner, re control of wheat policy, much better than expected. All the cabinet, as near as I can make out, greatly cheered at signs of belligerency in MacKinnon. Twas not expected. ...

Gardiner has been throwing his weight around considerably. He apparently demanded finance when Ralston shifted to national defence. When refused he threatened to quit and there is an uneasy feeling that he is veering very rapidly to the left. King dug up the new department [*of National War Services*] and in proposing Jimmie in cabinet for this job laid the flattery on with a spade. Jimmy took it very well.

6. 17 October 1940 [DP, QUA].

[Information in the following memorandum came from Alexander (Sandy) Skelton, head of the research department of the Bank of Canada and secretary of the Rowell-Sirois Commission. The Rowell-Sirois report recommended that the provinces and municipalities retire from the fields of personal and corporation taxes and succession duties; in return the dominion would take over the provincial debts and relief for the employable unemployed and pay the provinces a national adjustment grant based on fiscal need. A gasoline rationing system was introduced in 1942. Philip Chester of Winnipeg was the Hudson's Bay Company's general manager for Canada, and served as master general of the ordnance from 15 August 1940 to 20 November 1940.]

Talked with Sandy Skelton who gave me some very interesting information regarding Sirois report.

Cabinet, as a whole, are very complacent about war finance and general prospects economically-for reasons which nobody who is aware of the situation can understand. But the odd minister is becoming a little alarmed and Ilsley, under the constant prodding of Clark, Towers and the other experts, is beginning to see that if sound financial measures are to be taken, the Dominion must greatly enlarge its field of taxation and impose new taxation upon a scale which might well embarrass the provincial governments. That, of course, is putting it mildly.

Ilsley, apparently with King's knowledge and approval, has worked out a kind of temporary way of adopting the report. If the Dominion, to do its job, must invade fields of taxation presently occupied by the provinces (to their detriment) the Dominion should apply the findings of the commission in this way:

The Dominion should shoulder the full burden of provincial debt, leaving the actual taking of it over until after the war. This done, the provinces would turn over the taxes as outlined in the report and clear the way for the Dominion to handle the war finance problem in a proper way. After the war is over, the Dominion could really take over the provincial debt. Meantime it could be taken care of, temporarily, by larger grants than those outlined in the report of the commission.

With this somewhat general policy in mind Ilsley last week began to sound out the provincial governments. He discussed the proposal with the three Maritime gov'ts and all of them agreed to it-New Brunswick being very enthusiastic. The Godbout government was undecided but not aggressively antagonistic. Godbout said that neither himself or his ministers had had time really to study the

report and therefore they couldn't give an answer. But they did not say No and the inference is that if the rest of the provinces agree, Quebec will accept and make no trouble.

The lads figure that the three prairie provinces will fall in line, which leaves Ontario and British Columbia as the only uncertain provinces. Ilsley is talking this over with Mitch this week-end and if Mitch should agree the policy would be adopted regardless of B.C.'s attitude.

Apparently Ilsley is swinging quite a club in these conversations. He is pointing out that the pressure of the war must drive the Dominion into acts which cannot but affect the finances of the provinces. There is, for example, a need to cut down unessential imports from the United States. We cannot continue to meet the ever growing unfavorable balances and, if the provincial governments look at the figures, they will observe at once that the most important leakage of foreign exchange comes in gasoline and oil. The Dominion probably will have to ration the use of gasoline, cutting down consumption tremendously and, also, laying up tens of thou-sands of private motor cars. Indeed, the policy might have to go to the length of driving traffic off the roads and onto the rails. Such a policy would wreck the finances of Ontario-for example.

Likewise the Dominion will probably have to invade the succession duties tax field and corporation taxes will undoubtedly have to be pushed up still higher.

Now the gasoline gun, Sandy tells me, is not loaded. When you analyse the proposition it is evident that it would be almost impossible to adopt a rationing system. So much of the gasoline now used is essential to industry-agriculture, fishing, lumber and ordinary industry-and so many people would have to have gas to run their cars, that the actual amount which could be saved would not be worth the trouble of saving it. But the other guns, I understand, are loaded.

The people here are eagerly awaiting Mitch's reaction. It is almost certain to be against and the feeling is that Mitch will leap into print with the charge that Ottawa is using the war as a screen or
a blind, behind which to rape the provinces. He [Skelton] was by way of writing a piece in rebuttal in which he was saying that Mitch was standing in the way of the war, refusing to agree to steps which would keep this country financially sound etc.

I expressed doubt if it would be wise to go after Mitch with a sledgehammer even if he attacked Ottawa as expected. The better way, I thought, was to reason with the public. Ottawa unquestionably has

Mitch in the hole on this issue and the logic of circum-stances should be enough to force him to yield. As war burdens increase, the taxpayers will become increasingly restive re provincial taxation anyhow. ...
Victor may be home by the next plane after this. He will give you the low down. Things most uncertain but my guess is that Victor will be back as M.G.O. when Philip [Chester] leaves towards the end of November. It looks as if a real shake-up in the department [of National Defence] is just around the corner. Ralston is to see Victor this afternoon and he may then know more. But Ralston told me on Wednesday night that Philip has strongly recommended Victor as his successor; that Gen. Crerar strongly disagrees but that he (Ralston) will act on Philip's advice.

7. 21 October 1940 [DP, QUA].
[Information in the following memorandum came from Victor Sifton, executive assistant to the minister of national defence.
Sir Walter Layton was director general of programs, British Ministry of Supply. His description of British needs contradicted British advice offered in the preceding June.]

Visit to Ottawa of Sir Walter Layton, personal representative of Mr. Churchill. He appears to have dumbfounded the experts in the Munitions and Supply department by the information he brought re the state of affairs in Britain.

He told these experts that Britain is very well fixed for ammunition, particularly for shells. Very large reserves of these have been accumulated and he saw no reason why the department, here, should place undue pressure on increasing our production.

Britain's most urgent needs were for airplanes, aero engines, guns of all calibres down to rifles, and tanks. The motor transport problem is also acute but the outturn of new vehicles, particularly in Canada, is immense and all deficiencies are therefore in sight of early solution.

The requirements for guns, rifles, tanks and planes, as given by him, are staggering. Victor has some of the figures in his head. He wanted some 10,000 25-pounder guns for example.

As a result of his visit, the emphasis in war work here will be shifted in keeping with his advice.

It was true, he said, that German bombers had damaged relatively few British war industries but the long continuing air raids had

substantially lowered production. Workmen had to knock off and take shelter while bombers were overhead. As a result he said that production had been reduced by about 45 per cent. The information is that German industries have been more seriously damaged and German production cut down by an even greater amount.

8. 25 October 1940 [DP, QUA].
[Information in the following memorandum came from Sandy Skelton, T.A. Crerar, and Emest Lapointe. T. Dufferin Pattullo was premier of British Columbia.]

T.A. is leaving for Winnipeg by train Saturday night, taking Mrs. Crerar with him, and you will be seeing him on Monday or Tuesday.

On my way along to see him this morning I ran into ... Sandy Skelton. ... Sandy and I walked along a way together. He had just come from a conference in Ilsley's office at which Ilsley reported on his conversation with Mitch. Mitch had been friendly but was absolutely and immovably opposed to any Dominion action on the [Rowell-Sirois] report. Sandy gathered that this would be the finish of it. He was down in the mouth.

T.A. talked at some length of the report. Ilsley had reported to cabinet and his information was much more complete. Mitch was very friendly and a little wistful in his desire to improve his relation ship with Ottawa. He was sorry about the past and wanted to be good friends and so on. But he simply could not agree to implementing the report. Mitch spoke rather as one who wasn't too familiar with the findings. His arguments were that the commission had been biased, unfair, out to get Ontario. Ontario would never accept its judgment. But the one point he kept coming back to was the provision to lump municipal and provincial debt together in the take over. This was grossly unfair to Ontario, whose municipalities had been thrifty and careful. Quebec municipalities had been spendthrift and reckless, and now this commission proposed to pull these Quebec municipalities out of the hole at the expense of the Dominion tax-payers, the bulk of whom were in Ontario etc. etc. He wanted peace and goodwill with Ottawa but on this issue he would fight-to the limit.

As far as I can gather - not so much from T.A. as from Lapointe (whom I saw later) - Ilsley has been purely objective in his report. Apparently he assures Sandy and the boys that he is fighting like hell for the report but I am unable to discover that he stands up and fights in cabinet.

T.A. said that the Bank of Canada and the finance dep't experts are applying all the pressure they can. They have made out a general statement of our financial position. National income this year is estimated at $5,000 millions of which we may safely divert to government spending, including the war, not more than 45 per cent or $2,250 millions. The Dominion must take at least $1,500 millions of this for Dominion purposes. The provinces and the municipalities have been running along on about $1,000 millions. They must give way.

Next year the Dominion's share of the amount which may safely be diverted from ordinary consumption, must be much greater and the provinces and municipalities will have to yield still further. The only rational way of solving this problem is via the report.

T.A.'s policy is to call a conference with the provinces in the Christmas recess and put the question, along the foregoing line, straight to them. Bracken, I understand, wrote a letter to King some days ago strongly pressing for action on the report. This letter has been used, so far, as the excuse for sounding out the eastern provinces and, indeed, the western provinces whose premiers have all been written to. The three maritime and the three prairie provinces have agreed to the implementation of the report. Godbout has not committed himself but is not really antagonistic (more of him from Lapointe) and Pattullo is hesitant, ready to resist if chances of success look good, but unwilling to expose himself if the danger seems great. T.A. believes that such a conference with the publicity which would follow would do the trick. He believes it has to be done sooner or later anyhow and might as well be tackled now.

I understand he has a good deal of support in cabinet from Howe, Ralston and others. Ilsley apparently is on the fence. Opposition to any militant action comes from King and Lapointe who are unwilling to risk an open break with Mitch on this issue. Their reason is that they would not divide Canada on a domestic question while the war is in so precarious a position. It is the old national-unity-first line. The question comes before cabinet this afternoon or tomorrow and T.A. no doubt will have the decision when he reaches you. My certainty is that King and Lapointe will prevail.

From T.A.'s office I went along and had 30 minutes with Lapointe. He shows the effects of his illness very plainly. The lines in his face are deeper and he has lost much weight, not only about the waist but on his face. His shoulders sag more than I have ever

noticed them and there is a hurt look in his big brown eyes. Indeed, there is an aura of sadness about Lapointe which is quite out of character.

I told him that you had spoken of him to me in a recent letter and I passed along what you said about the service he was giving his country by remaining at his post. He was touched, visibly touched, and said that his health had greatly improved. He had come through two very trying years. “You know me,” he went on, “and you will understand when I tell you that I have always felt that I could not live unless there was a smile in my heart. I am that way.” That may not be exact but it is as close as I can remember it. He went on to say that he was able to smile again, and he did smile for my benefit but it was a wry kind of a smile. These two years had taken a heavy toll of his strength in many ways. He had been compelled to make decisions on questions of the greatest importance. And while in his heart he had known that his decisions were the right decisions, his colleagues had often opposed him. That, he said, was particularly true of the Quebec election last October. He had accepted Duplessis’ challenge with the support only of his colleagues from Quebec and in opposition to the wishes of Mr. King. Of course, he said, after these events which have taken my strength, those who opposed me have quite happily shared in any credit that was going. That is the first time Lapointe has ever taken a dig at W.L.M.K in talking to me. He repeated it two or three times, so I judge it rankles in his mind.

He had gone back over the years preceding the war, testing his own acts, trying to think of how this tragedy might have been avoid-ed. His face got rather pale and, at times, it worked in spite of his effort to control his feeling. “I have had many sleepless nights-thinking and thinking.”

There were passages in the stream of his words which followed that were close to poetry. He spoke of the sunshine having gone out of his life, of the blood that is being shed, of the peoples who are being crushed, of the terrible things that have happened and must happen in the future. He spoke of France. Weygand apparently sent him a message through Lafleche four or five days before the collapse, appealing for aid in bringing the U.S. in. Weygand said that Frenchmen were fighting the enemy with bare hands. No equipment, no guns, no ammunition, no airplanes-nothing but flesh and blood going down under tanks and dive bombers. They could not stand and unless the U.S. came in there was no alternative to capitulation. The British would do all they could, but they could not help. But with U.S. aid, he would fight on as best he could, if

necessary from Africa. Lapointe certainly thinks highly of Weygand and of Petain. He is broadcasting through the B.B.C. to the people of France tomorrow and I'll bet he is good.

I referred to the League and quite clearly hit a very tender spot. He had gone over his own record on the League. He was for the League, had always been for the League and was stronger today in the faith than ever. But how could the League function before the war with a great power outside its membership, in revolt against it, and the members of the League unwilling to enforce peace if necessary by arms? We had been all wrong in our conception of world peace. We must be prepared to fight for peace. We must keep up our arms and our ability to make war and use them in the cause of peace. Out of this war must come a new order, ending war, but it could not work unless the nations of the world meant business. They had not meant business before the present war. I didn't argue the point and anyhow he seemed a little overwrought and again he referred to sleepless nights cudgelling his mind about the past and the future.

I asked him if he thought we would win. Absolutely he said. We will win. We cannot lose. Latest despatches he said indicated that the Axis Powers were striving to gain possession of French strongholds on the south shore of the Mediterranean and in southern France. They would probably succeed and success would make the way harder, but we would assuredly win. Of that he had no shadow of doubt and he repeated it several times.

He went on to speak in warmest terms of Godbout who he thinks is doing a grand job. Godbout, he said, is a very gentle man in his speech and manner but it would be a great mistake to under-rate his strength of character. He was a strong man and truly national in his outlook. There is no intention of shifting Godbout to Ottawa, he said. He is doing more valuable work where he is.

He then came to the Sirois report in which he said you would be very interested. It had seemed for a time that the provinces would agree to carry the report into effect now but Hepburn had declined to agree. The "hotheads" of the cabinet (Mr. Crerar would be amused at being referred to as a hothead) were for carrying the issue to Hepburn, for fighting it out. He thought this would be a great mistake. It could do no good to divide the country on such an issue at this time. The proper course was to maintain pressure on Hepburn and hope that he would not put himself publicly on record as opposed to the adoption of the report. Hepburn had not done this so

far, which was a very hopeful sign. By maintaining pressure, he felt sure that all obstacles would remove themselves and the report be adopted in due course. The war would attend to this and it would be wise not to act hastily.

He asked for your health and when I told him you were getting better after a bout of illness, he expressed concern. “He is a precious man,” he said and added that I was to tell you that you must get bet ter quickly as you cannot be spared at this time. He sensed, too, that you would be thinking long thoughts on the state of the world. No one, he said, did greater service in the cause of the League and of peace than you did. And in the meantime, I was to tell you that he was on the job and was going to stay there for some time to come at least. ...

9. 26 October 1940 [DP, QUA].
[Information in the following memorandum came from James A. MacKinnon. Vincent Massey was the Canadian high commissioner in London.]

Had a talk with MacKinnon this morning. I found him very different from last summer when he was pretty much a tyro in the cabinet. He has much more confidence than he had and he has a mission in life, which is to get James Garfield Gardiner. About all he cared to talk about was what a double crossing --- -- - ----- Jimmie is and to prove it he read me the file of cables which have come from London with respect to Gardiner’s activities.

Apparently, Jimmie lined up this trip in September and MacKinnon, rather than be caught off base, decided to tag along. To that end he gathered up his experts-McIvor and the rest-and was preparing to leave when a cable came from Massey. This is the first cable on the file. It said that Massey would be delighted to have the lads over; that he had found out they were thinking of coming purely by accident from the Dominions Office; but that he was unable to discover anything that they might usefully do which could not be done by the boys at Canada House. The British, it was pretty plain in the cable, didn’t want Jimmie to come over. Their food policy for the new year was already decided and, in any event, must turn, so far as Canada is concerned, on the financial arrangements which might be made between the two governments. Ottawa would be doing much more useful work by sending across a delegation empowered to make new financial arrangements.

MacKinnon promptly dismissed the experts and unpacked his bags. Jimmie decided to go ahead. At the last cabinet meeting before Jimmie left, MacKinnon told him quite frankly that he must not undertake any negotiations on wheat. There was fairly general assent to this in cabinet and Jimmie duly promised not to meddle. Alas, the first speech Jimmie made in Britain was on wheat and the confidential cables coming through since his arrival indicate that he has been working tooth and nail for a new wheat deal with Britain at a higher price. He has been asking for from 95 cents to $1 per bushel.

Actually, I am told by T.A., and MacKinnon confirmed, that Britain now owns some 150 million bushels of wheat in this country. The 100 million bushel deal put through last spring was on a sliding price scale of from 80 to 86 cents per bushel.

Jimmie, it is clear, is trying to work out a scheme which would enable him to make good on his promises in the west of an interim payment on account of the 1939 crop. His argument, duly reported back to MacKinnon (the messages may come from the wheat board offices in London or Canada House) is that, although Britain is paying a fair price now, the price paid in 1939 was relatively too low. The western producer has to be kept going and the fair thing for Britain to do now is to pay a bit more on the understanding that the larger receipts will be paid out to the 1939 crop producers.

The British have been profoundly uninterested in this argument to date. They say that the price paid is too high. If the open market were in operation at Winnipeg, the price would be very much lower. They are prepared to consider a proposition at a price cut of, say, 6 cents per bushel under the 100 million bushel deal-and even this seems to them incredibly generous. Jimmie seems to be in some difficulties and, at the moment, is taking the line that-Ah well, it is just discussion and he isn't empowered to make a deal anyhow.

On the bacon side, MacKinnon hasn't got copies of any cables but he hears that Jimmie has been confronted by a decision to cut the price below the deal Mr. Crerar made a year ago. This might well be pretty serious for Jimmie-I hope it is.

10. 28 October 1940 [DP, QUA].
[The source of information for the following memorandum is not disclosed.]

Our labor problems haven't been faced yet so there isn't anything constructive to be said. Hours of labor are controlled by provincial

statutes and these vary from province to province. There are still a few forty-hour weeks prevailing in Canada, chiefly in British Columbia, but in the main our workers are doing a forty-eight hour week. It is possible that the Dominion government will assert control over hours of labor and wages on all contracts involving expenditures of Dominion money. This is now under consideration but no action yet taken. There has been no important change in the peacetime conditions of hours of labor.

Wages are likewise controlled by the provinces and again there is no uniformity. Generally speaking a minimum of twelve or thirteen dollars per week applies. As peacetime conditions still prevail employees are all being paid overtime at the usual rates for time worked over and above normal.

After the breakthrough last spring the government asked that war work be placed on twenty-four hour shifts. This has been done in various ways. Where no high degree of skill was required three eight-hour shifts have been used. This applies generally to shell and explosive plants. In the airplane industry there haven't been enough skilled workers to spread over three shifts so they are working two twelve-hour shifts. This again is only in a general way. Wherever they have enough staff to make the three shifts they are doing so.

Labor troubles. We have not had any serious labor troubles as yet. Disputes at Vickers and at Collingwood are not regarded as important. The strikes in the coal mines in Nova Scotia are believed to be due to communists but, having regard to the full war effort, they are not important. Labor heads generally are agreed that an undue rise in labor costs would be a strong inflationary influence and therefore must be resisted. This applies to the leaders of all organized labor in Canada including the Catholic organizations of Quebec. But they do believe that a greater spread between semi-skilled and skilled trades is desirable as this spread was unduly reduced during the depression. There may well be adjustments of this kind but no swift or general rises in labor costs are anticipated.

Labor legislation since the outbreak of war has been largely lacking. We have nothing comparable to the United States' legislation-the Wagner Act etc. Under the War Measures Act the government could do anything it pleased. It has chosen to do very little. The Industrial Disputes Investigation Act has been extended to cover all war work (order in council June 20, 1940) whereas it formerly only applied to labor employed in industries under federal jurisdiction (railways and the like). It could be invoked in any dispute if all

parties were agreeable but it was not mandatory. Now it is and as a result there must be conciliation and a report before a strike on war work is legal.

In this June order the government set out its labor policy under 10 heads; speed up war production; fair and reasonable standards of wages with increases to be given by bonus rather than by permanent increases; hours of labor shouldn't be unduly extended but increased output should be sought by additional shifts; no relaxation in health safeguards; the widening of the scope of the Industrial Disputes Act already covered; freedom to organize in trade unions; freedom of trade union leaders to negotiate with employers; settlement of disputes by negotiation and so on. The National Resources Mobilization Act gave sweeping power to Ottawa to do as it pleased with persons and their goods and chattels but so far as labor goes this power has never been used. The Munitions and Supply Department was not given any control over labor although it has control over most materials. Nor was the Wartime Prices and Trade Board given such power.

Obviously King wouldn't let power of this kind out of his own hands and only now when he is driven by a crisis in labor is he preparing to set up a new committee to be headed by the new deputy minister of labor with power to control and regulate labor. This order-in-council has been passed by cabinet but not yet made public. I have seen draft and powers very sweeping but I doubt if much use will be made of them.

Our labor problems lie immediately ahead of us. As nearly as I can gather the figures, the problem is this:

Gainfully employed July 31, 1939: 2,419,000 persons. This is taken as peacetime figure. Increase in the number of gainfully employed first year of war: 215,000 persons. Armed services, which numbered 4,500 at outbreak of war, now total 170,000 army, 30,000 airforce, 11,000 navy, 30,000 trainees (this being steady monthly intake). This means, all told, 241,000 persons or a gain of about 245,000. Since the outbreak of war, therefore, some 350,000 persons have been removed from pool of possible workers.

At the outbreak of war we had approximately 125,000 unemployed employables. Today, we have approximately 85,000. In addition some 100,000 lads reach employable age each year and about same number girls, say an increase of about 150,000 in available manpower per year. This is probably putting it high and you had best use your own judgment. Nobody here has attempted to work out these figures.

War contracts now awarded but not yet in production will require about 140,000 new hands in next 10 months.

Labor problem, of course, cannot be stated in generalities of this kind. There are all manner of problems relating to skilled trades, regional location of surplus workers and so on which are the vital problems. It is evident that serious bottlenecks have already appeared and that still more serious ones are just ahead of us.

It is becoming plain, and this should interest U.S. businessmen, that the needs of war industry and of the fighting services conflict. Both want the same men. A census of two of our large airplane plants reveal that 77 per cent of the men employed in the one and just over 80 per cent in the other are under 24 years of age. Our war industries have discovered that the only really good raw material for skilled workers are youngsters just out of technical schools. They find it impossible to train the old hands.

It may be assumed that most of the really adaptable people in the unemployed group have already been absorbed and the rump comprises older folk who will be hard to train into useful skilled workers. Indeed most of the experts regard this as impossible.

At the same time there will be a tremendous increase in the demand of the army for skilled men to maintain the mechanical equipment. This demand will become increasingly acute as the mechanical equipment is delivered over the next year.

Problems of transfer from non-war to war industries, involving perhaps the shutting-down of non-essential industries; problems of training youngsters to be skilled workers (successfully attacked only in our air training plan) and problems of moving labor from one part of the country to another-all these will have to be faced and very soon.

The labor problem has not yet been seriously tackled in Canada because the government did not face it and no real crisis arose. From September until the breakthrough in France relatively few contracts were awarded in Canada requiring specially skilled workers. Total contracts from July 1939 to March 31, 1940, were $142,000,000, and after deducting the business awarded to Britain and the United States and the home contracts for construction and clothing, etc., precious little new war output was envisaged. Since the break-through about $500 millions have been awarded and a vast armament and explosive industry is being launched. Some $235 millions are being spent on new plant alone which is a greater investment in new plant than is ordinarily made in Canada in a decade. It is as this new plant begins to seek

skilled workers that the real labor crisis will arise. ...

11. 8 November 1940 [DP, QUA].

[Information in the following memorandum came from Philip Chester, master general of the ordnance until 1 December 1940 when he was replaced by Victor Sifton, and T.A. Crerar. H.R. MacMillan, timber controller, Department of Munitions and Supply, was appointed chairman of the Wartime Requirements Board in November 1940.]

McLarty phoned this afternoon and asked me to go and see him. Heard I had been criticizing him. I wasn't able to go this afternoon but I'll sure go tomorrow morning and talk to him like a Dutch uncle. Unfortunately I won't be able to tell him that he's a dirty crook, but I'll do my best.

[*Sir Walter*] Layton has written a number of letters or memos to Howe which are coming to be known as the Layton papers. When he was here he told Howe and some others, of whom Victor may have been one, that unless the industry of Britain, the U.S. and Canada (for whatever we might amount to) was rationalized, we could not win the war. Incidentally Philip told me yesterday that the standardization of the tank, much publicized a couple of months ago, hasn't come off because the British and the Americans cannot agree on the size of gun it should carry and the size of the gun must affect the layout of the tank.

These Layton papers are being held in close secrecy by Howe. He showed them to MacMillan who either showed them or told their contents to Philip. Layton develops the need for standardized equip ment in all directions and he makes the point that it is nonsensical for Canada to spread production over a large number of guns and other equipment. We should concentrate on a few articles as part of the larger plan and I presume that all the equipment produced under this larger plan would go into a pool and be distributed by some general supervisory committee or head according to need.

MacMillan is slated for a job on this business and wanted Philip to go with him. But Howe apparently will not meet Layton's views; will not agree to enter into any general scheme of rationalization. He proposes to set up a planning committee for Canada alone. ...

A message came in from Canadian Military Headquarters [*in London*] today outlining the subject matter of the Ralston conversations. The War Office has decided that any military offensive against Germany will not be possible until 1942 and perhaps 1943. The

British government has come to the conclusion that, owing to air raids etc., Britain cannot be the arsenal of the Empire and that Canadian production must be stepped up and empire production built around Canada and the U.S. The U-boat campaign is exceedingly serious and the problem of meeting it more difficult than ever before. Official opinion in Britain is coming to the view that an Imperial War cabinet is desirable.

My Sirois report despatch based on conversation this morning with T.A. Crerar. We mustn't think that King and Lapointe have changed their views. The saving clauses make that plain. The battle now will centre on the nature of the conference and the generalship which King shows. The Bank of Canada people think that unless King handles the conference right, the report may become bogged in a morass of petty demands for revision. He is inclined to let the conference proceed to a general discussion to be followed by a decision on the report. If this is done, the boys feel that many of the premiers will want this or the other recommendation modified and Mitch will pick up allies all along the line. But if King asks for a decision on the principle at the outset and says that differences of detail can be ironed out afterwards, they think Mitch will shrink from revolt. He would almost certainly be isolated.

12. 10 November 1940 [DP, QUA].

[Information in the following memorandum came from James A. MacKinnon, Robert E. Sherwood, American playwright, and Angus L. Macdonald, minister of national defence for naval services. Herbert Lash was director of public information for the Dominion government from 1934 to 1942. William Allen White, the Republican editor of the Kansas-Emporia Gazette, was the moving force on the Committee to Defend America by Aiding the Allies, formed in May 1940. Wendell Willkie was Republican candidate for the presidency in 1940. In September 1940 Italy invaded Egypt and in October attacked Greece as well.]

Jimmy Gardiner is back, just missing the German pocket battle-ship whose cannonading of the convoy was visible from the deck of J.G.G.'s ship. Damn lucky for the pocket battleship that it escaped.

Saturday morning talked with MacKinnon, (Trade and Commerce) who read me the report to cabinet sent by Jimmy as he was leaving for home. There is to be a formal statement issued when Jimmy disembarks. This should be in tomorrow morning's paper. But it will not tell much. Jimmy apparently got pretty desperate toward the end

and ripped some concessions out of the British government. MacKinnon called it blood money.

He got nothing at all on wheat and his mission was fruitless except that he enabled the British Cereal authority to prepare the way for a cut in the price of wheat. Incidentally I asked MacKinnon what he was planning to do re the 1941 crop. He said he was on top of the problem and that there would be an announcement along about Feb 1. He is building, or providing one way or another, storage for 200 million bushels of wheat and it will be announced that the Dominion government cannot accept for storage more than 200 million of the 1941 crop. This, of course, is an estimate based upon a projection of exports during the war period. But if everything goes as it has been going, the Dominion will take this line. Payment for this wheat will be on basis 70 cents. He isn't in favor of reducing the price. And of course, if, due to exceptional conditions, farmers could get more than 200 millions into storage they would get paid. There will be no attempt to control production, this being regarded as a provincial matter and outside of Ottawa's jurisdiction.

Jimmy got a sharp increase in bacon sales but at a much lower price. I had to carry the figures in my mind and cannot remember the quantity categories. The increase is from 130,000 per year to 190,000 per year. The increase in weekly shipments will be from 50,000 odd to 73,000. The price drops from $9. and some cents to around $8.25. It may be a little higher but not much. The cut in price is upwards of a dollar and a half. This, I believe, was literally wrung out of the British. It will cost them a bit more money, or rather it will cost us a bit more and Britain will have to settle with our treasury, but in the main we give them a greater quantity at a cheaper price. Our gov't hasn't agreed to this yet-on a caveat put in by Towers and Clark-and Jimmy has to see cabinet first. But I would judge the proposition will go through. ...

He got a substantial increase in cheese-I didn't try to burden my mind with the quantities-and at a price increase of less than 1 cent per lb.

He got a large order for canned tomatoes and tomato juice and a surprisingly large order for dried apples, milk powder and a number of less important foodstuffs.

Went to a little dinner given by Herb Lash last night for Robert E. (Emmett-he is the old Irish patriot's grand-nephew) Sherwood of *There Shall be no Night, Idiot's Delight* and so forth. He is a grand guy and made a most interesting speech. He was in on the formation of the

William A. White committee which he said was formed at President Roosevelt's and Hull's request. The committee operated throughout on the specific instructions of Roosevelt and Hull. They were told in June to begin whooping for the destroyer deal and so all along the line. They got their orders from Washington and went ahead blindly on them. Moreover, they were told by Washington who the chief opponents were and whence came their support. Thus they could concentrate their propaganda in the areas which returned the people to Congress who were believed to be the chief stumbling-blocks to each particular deal.

Throughout the summer and after the political campaign actually had begun, Sherwood said that the committee worked in closest collaboration with Willkie. Willkie knew who was behind the commit tee and what they were doing. He helped too except that Sherwood came to the conclusion as the campaign grew in intensity that Willkie was double-crossing them and therefore all connection with him was broken off.

This story may be old to you. It seemed incredible to me. It was confidential.

Angus Macdonald was there and I was talking to him about the North Atlantic situation which he said had become absolutely critical. The trouble is that as the front line, so to speak, spreads, the naval forces available at any given point become weaker. They are putting on a real show for the Greeks and this has left them exposed in the North Atlantic. The convoys are not really properly protected.

He believes that Britain simply must have the Eire ports and that if de Valera won't give them, Churchill will have to take them-probably very soon. He has an idea that Dev will not really oppose, that he wants Britain to have them but cannot place himself in the position of being the man who brought the British back. There is a great hen on here to have Canada ask for the ports. Nothing done yet and I'll write something for you tomorrow and wire. If the papers drum it up a bit, the gov't will go through the motions but there is no hope of success in this way. ...

13. 28 November 1940 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar. The purpose of the Wartime Requirements Board under H.R. MacMillan was to secure precise costing information from the Department of Munitions and Supply and so enable the Department of Finance to plan appropriately.]

This memo is long overdue owing to abusive wires from Ferg. ...

The position of the new MacMillan planning committee is difficult to appraise. There is evidence to show that Howe was opposed to the appointment of this committee and that he agreed only under strong pressure from Ralston, who is demanding equipment and who isn't satisfied with the work of Howe's department. After the cabinet which appointed the committee, Ralston said to a friend of mine that the order had gone through with less difficulty from "Clarence" than he had expected. I discussed this with T.A. who said that it was well understood that Ralston had wanted the committee and had worked out the details with Howe, but that Howe had brought the order to cabinet and sponsored it. The order, of course, does not confer any real power on the committee and it is interesting that Howe has decided to go to London (Ralston has made no bones of his intention to discuss production with the British government) and so far has made no move to take MacMillan with him. ... MacMillan and Towers approached Philip [Chester] to join the committee. I don't think that they made any direct offer because Philip does not think the committee can accomplish anything, lacking all power as it does.

There has been a rather severe squall in cabinet over Jimmie Gardiner's wheat deals in London. Jimmie informed the cabinet that he had made two tentative deals with the British government-one with Lord Woolton, the minister of food, and the other with Kingsley Wood, the chancellor of the exchequer. It will be recalled that before he left Ottawa he was pledged, in cabinet, not to discuss wheat.

Jimmie is bound he is going to get an interim payment on the 1939 crop, of which 140 million bushels remains unsold. The British now own 150 millions of our wheat, which is enough to last them until next July.

Jimmie approached Woolton with a proposition to take 120 millions, additional to present holdings, of the 1939 crop at 85 cents per bushel. Woolton wasn't keen and referred the matter to Rank who cabled to the wheat board asking what authority Gardiner had to upset the wheat applecart. Jimmie said his deal was that Woolton would undertake to buy this 120 million bushels at 85 cents, deliveries to begin next August. It would take some time to work this quantity of wheat and presumably shipments would extend over the end of 1941. MacKinnon was furious but a meeting of the wheat committee was called, Geo. McIvor and all attending. The question at once arose-who was to pay storage charges pending shipment of this

wheat? Jimmie said that the British would pay these charges and that the 85 cents were net to the board. Such a sale would enable an interim payment to be made.

The wheat board apparently then broke it to Jimmie that there is now a deficit, a small one, on account of the 1939 crop and this deficit will grow as time passes, unless an unforeseeable upturn in prices takes place.

If Canada paid the storage on the proposed deal, the net price to the board would probably not exceed 78 1/2 cents, which would permit of no interim payment. If not, the British must be prepared to pay above 90 cents which just didn't make sense. Discussion adjourned while wheat board queried London on storage charges. Biddulph has cabled that he thinks Canada is to pay. Apparently Jimmie didn't consult him very much during the negotiations.

Jimmie appears to have lost interest in this matter somewhat from the moment no interim payment seemed assured. He then went to Ilsley and reported that he had an alternative deal. The British would buy wheat from us at a good price provided we would take sterling at par and agreed not to make any use of this sterling until after the war was over. Jimmie's proposition was that we should take this sterling and work out the price to Canadian farmers at par exchange rates. Ilsley and Towers have thrown this proposal out of the window, on the line that it is nothing but a gamble in sterling.

14. 30 November 1940 [DP, QUA].

[The following is Dexter's precis of J.G. Gardiner's diary of his trip to England.
On October 7 Gardiner conferred with Sir Kingsley Wood, chancellor of the exchequer, and Lord Woolton, minister of food, at a conference in the Dominions Office, presided over by Lord Cranborne, the Dominions' Secretary, and attended by various British and Canadian officials. J.V. Rank and Alfred Hooker were members of the Cereals Import Board of the British Ministry of Food. Lord Beaverbrook was minister of aircraft production. Lieutenant General A.G.L. McNaughton was General Officer Commanding, First Canadian Corps. Ernest Bevin was the British minister of labour.]

"I stated that I came not only as Minister of Agriculture and as such to discuss food, but as Minister of National War Services ...

I outlined briefly the results of our registration and training plans and indicated that we hoped to see and learn of all activities here tending toward a complete utilization of human resources while in Britain.

I then went over in some detail our position relating to food ...

I summed it up by saying that our wheat problem affected at least 300,000 families and is a problem of storage and finance because we believe that the wheat will all be required and stated that in my opinion what would do most to help would be the creation of some method of co-operation which would stabilize the position over a reasonable period of time. We would be required to find for the time being approximately $620,000,000 in the next two years to finance wheat. That amount could only come from the sale price of the wheat, the taxpayers of Canada or a combination of the two.

Our bacon problem affects nearly all the farmers in Canada. We have more than we anticipated having. We can supply a greatly increased volume to Britain. We are not asking a higher price. We are, in fact, prepared to take less per pound than Britain paid last year. If we cannot get rid of volume we will find it necessary to restrict our production which may leave us short if Britain requires more later.

I stated our position on cheese and butter is that we can maintain our present position and possibly increase our shipments of cheese slightly on the present agreement. We can send forward the 10,000,000 pounds of butter enquired about provided we permit butter to assume a price level which will reduce the production of cheese or provided we ration butter in Canada or set prices. We are prepared to do either or both if it assists in meeting their position.

I stated that in apples and tobacco we had serious problems but they were not of the same magnitude as the other. The British trade in tobacco affected possibly 5,000 farmers while that in apples could not affect more than twice that number. Our crops of both are short this year and although financially the problem was not beyond our own reach if Britain could keep these products in this market by taking a part of their previous importation it would be greatly appreciated.

Sir Kingsley Wood ... stated that the government would be most happy to assist in every way by putting the new department in touch with all their activities and making every kind of information avail able. ... He then went on to state that in handling food products their only obstacle was exchange. ...

Lord Woolton then took up the matter of food. He stated that they wanted all the bacon the treasury would supply them money to purchase. They wanted all the cheese we can send forward at the present price and while they would like butter and the British people were demanding an increased ration they looked upon butter as a luxury as compared with

cheese which they considered a necessity. They therefore did not want to have butter increased at the expense of cheese.

He stated that with wheat they had been trying to take all they possibly could and seemed of opinion they had done fairly well in that direction." Wed. Oct. 9: Lord Cranborne's luncheon at Carlton Hotel.

"I was seated next to Anthony Eden and had a very interesting conversation. The substance of it was that for the time being sup-plies, munitions, planes and guns for warfare are the great necessity. In another six months it will probably be men and more and more men will then be essential. ...

The possibility of training men for industry in Canada was discussed. Mr. MacMillan, parl sec. ministry of supply, intimated they had found the only satisfactory place to train men is in shops as tools aren't available elsewhere and cannot be made available." Oct. 11 (on tour of East London): "We continued to the Victoria Docks which had been severely damaged on the first Sunday raid. Looking across the basin we could see the ruined remains of the Rank mill and the outer shell of the Co-Op Societies mill, the interior of which was a shambles. ... We then drove around to the other side of the dock passing close to the two ruined flour mills and noticed that although the bombing had taken place five weeks previously they were still pouring water into the wreckage of the Rank mill. We continued on toward the Lyle Company's sugar refinery which was completely wrecked. (A Nazi bomber fell on this with its load of bombs.). ... All the buildings in this community were also badly damaged. . . ."

Oct. 15: "... Had lunch at my rooms for Mr. Rank and Mr. Hooker, together with Mr. R.V Biddulph. Rank was very explicit and fair in his attitude toward Canada. Hooker is very well posted on every phase of the grain trade in Canada and elsewhere. Rank outlined the general position indicating that they had succeeded during the pre-sent year in having purchased a much greater amount of Canadian wheat for British consumption than the average over any recent period of years. He stated that it would be necessary to take 15% of their imported supplies from the Argentine and 15% from Australia. These were irreducible minimums. He maintained that if Canada were allowed 105,000,000 bushels or 50% of the importations this would take care of 80%. He then went on to point out that provision would probably need to be made this year for taking 10% from other countries including U.S.A. This he

pointed out would leave 10% remaining which there is no reason for not allotting to Canada, bringing our total he stated to about 120,000,000 bushels. I would judge that 10% of the whole would add 21,000,000 bushels to our granted 105,000,000 or bring the total to 126,000,000. If that could be increased to 130,000,000 bushels it would be approximately the amount actually shipped last year. ...

While not committing anyone to it Rank thought a reasonable amount to ask for as a minimum would be 120,000,000 bushels. Personally I think it should be at least 130,000,000 bushels. There is this point, however, that if the higher amount interfered with the purchase of other food products such as bacon nothing is to be gained by pressing the amount.

My suggestion would be that we should ask for a price of 90 cents Ft. William with a minimum of 130,000,000 bushels.

Hooker was very insistent that the Exchange should be kept open whatever the final arrangement. Rank did not express a decided opinion on the matter."

Oct. 18: Visits to two private-owned gun factories: "We were told that very few skilled mechanics or labourers were needed. The factory was started with 10 skilled men. When they had over 1,100 working there were only 28 skilled, when they had 2,200 which they had when we were there, only 75 were skilled. One third of their employees were girls. They were in production 13 months after they broke sod."

(This plant makes 7.92 mm. and 15 mm. machine guns, feed box and loading trays for 40 mm. AA guns.)

(Also visited ammunition plant transformed from Cadbury candy plant in four months, using 5 % skilled labor, all employees trained in a few weeks.). ...

Oct. 21: Saw Beaverbrook. "He urged me to concentrate on trying to get shipyards established in Canada stating that shipbuilding in Britain is a thing of the past, that it must go somewhere and Canada is the natural place. .

He stated that in his opinion it required many men with technical skill and knowledge to build planes. He also doubted the possibility of finding them in Canada, particularly in Ontario."

(Lord Brownlow, B.'s parl. Priv. secty, then took J.G. to an aircraft factory.)

"I was told that the number of men who would be classified as skilled labourers when they came in would be very small. I was told

that they learned their particular task in a very short time and became quite expert at it. The linen was put on the wings by women. The manager told me that with a few instructions any average group of men could be trained for all this work very quickly."

Oct. 23: On visit to Canadian troops. "I was told by Gen. McNaughton that there has been and still is, too great delay in get-ting things done effectively because of hold-ups by the Treasury. He seemed most anxious that I should realize this and referred to it a number of times. ...

Gen. McNaughton was very definitely of the opinion that sup-plies and equipment are the essential requirements of the present and that more troops would eventually be required but should wait the production of equipment, enlarged air force and some sign of activity for troops. ... Too many men with no immediate tasks and unable to talk back to the enemy because they have not the weapons he thought something to be avoided. When they have the equipment, men, Yes."

(Back in London the same day, met Ernest Bevin.),

"I placed before him our food position stating that Britain seemed to want our food but could not find enough Canadian dollars to pay for it. He met that with the statement, `If you have the food and we need it why should the price stand in the way. We should owe it to you whatever the price.'

I discussed with him the training of labour for factories. He stated that he is of opinion that training should be both in schools and in factories. They have 23 training centres in operation and 40 being established. They secure second-hand tools and machinery for the schools and give preliminary training. They either have or are evolving regulations under which those making supplies for the government take certain numbers of their employees from these schools. ..."

Oct. 28: "Conference held with Lord Woolton re bacon and wheat. Regarding wheat Lord Woolton informed me that they were following the suggestions made by me when I arrived, namely, that any discussions re wheat were entirely exploratory and no agreement could be reached. He was therefore not going to make an offer but leave it to the Government of Canada to make an offer on my return to Ottawa.

He stated for my information, to be passed on to anyone I saw fit in Canada, that he was prepared to consider an offer of a further sale of 120,000,000 bushels of wheat, delivery to take place following July 31, 1941 (?) at 85 cents a bu. This was not to be considered a minimum

but a sale of a set amount. A new deal would have to be made at a suitable price when the time came, either during the pre-sent or the succeeding crop year. This would hedge 120,000,000 bu. of wheat for the year 1940-1941.

Alternatively, he was prepared to consider an agreement to take 120,000,000 bu. a year for the duration of the war at 82 1/2 cents. This again would be a set amount hedged out of each crop and would not affect the price directly of any additional amounts sold to Britain or others.

Regarding bacon he stated that the total amount available from the treasury was enough to purchase our entire output of 380,000,000 lbs at £80 a ton. He could not possibly do better. We had asked and pressed for £84. He agreed that our officials were free to vary quantities and time so that the best results possible could be obtained from the amount."

Oct. 29: J.G. had an interview at 11 Downing street with Kingsley Wood and Sir Frederick Phillips of the Treasury, discussing in general terms whether Canada could accept sterling, to overcome difficulties in finding Canadian dollars. It was stated the British Treasury would welcome any proposal of this kind from Canada.

Oct. 30: Interesting point here was dinner with Beaverbrook, who drives in London in an armored car, and sent J.G. to his hotel in it. Oct. 31: Met Churchill at 10 Downing street. 7.G. gives lengthy report on this, from which the following taken: "He stated that we have a long hard road ahead of us and he hoped the people of Canada realized that. He went on to state that it takes 3 1/2 years to put a country into production of ammunition. He said there is no use putting men into the field to be helplessly shot down as we would if we pressed the war at present. He said they must have arms and they must have ammunition. In the meantime our air force must be strengthened and our navy maintained to defend the shores of Britain and the trade routes to America until we have arms and ammunition. That he said, would take another year and a half at least. 'We will not be ready to go forward until the spring of 1942', he said."

He then went on to say that Germany had been at the peak of her ammunition production 6 months ago and would not get stronger. She can produce her full strength now. We cannot but will get stronger and stronger for two more years. ...

He said that we do not want troops from the United States at present, and perhaps will never need them if they send the supplies

soon. He thought we have the manpower within the Empire to win if we can get the supplies to put them fully equipped to the field. He stated that there is a long hard fight ahead-to hold on-but providing we do not make too many fatal mistakes he thought we could united win. ..

I took leave of him stating that Canada is and will continue to help drive Hitlerism from the world. He expressed appreciation of what Canada is doing and asked me to convey his thanks to the Prime Minister for the wonderful support he has given particularly through American sources.

15. 11 December 1940 [DP, QUA].

[Information in the following memorandum came from O.D. Skelton, undersecretary of state for external affairs. In a speech at Detroit on 5 December 1940, President Roosevelt called for the immediate construction of the St. Lawrence Seaway as essential for the provision of power for defence industries and for the creation of a naval shipbuilding industry on the upper lakes.]

Found him kind of slumped down in his chair, in half light of late afternoon, spectacles well down on his nose, hair and eyebrows all over the place, masses of files and papers strewn over his desk, on the arms of chesterfield chairs, side tables and what nots. Out of this mass he had extracted a sheet of paper with the Free Press leader on Roosevelt's speech pasted on it.

Commented that we didn’t appear to know that the censor-W. Eggleston-had issued an instruction to the press that no mention must be made of Rush-Bagot agreement. Went on to remark that Roosevelt's speech hadn't passed unnoticed in House of Commons where Mr. Casselman, member for Grenville had raised points as to the flooding out of several constituents who are farmers on the river. Mr. King had replied, very skilfully, maintaining the discussion on Mr. C’s plane.

The Rush-Bagot agreement, it isn’t a treaty, had been stream-lined two years ago, by an exchange of notes between Washington and Ottawa which had never been made public. This agreement pro vides that no warships of more than 100 tons and mounting heavier than 18 pound guns should be on the Great Lakes. The “modern interpretation” is that either country may build as it pleases - provided due notice of intention to build is served on the other and that the warships, when built, are taken out of the Great Lakes as rapidly as may be and before they are armed. The size now is limited by St Lawrence canals which

are only 14 feet deep. Seaway level will be 27 feet. Unsure what that would mean in terms of warships but probably nothing larger than destroyers. U.S. is building one war vessel. We have been building corvettes, minesweepers etc., for some time. So far as we are concerned the intention to go into larger war construction is serious but we are certain to concentrate such construction at one shipyard, either on the Atlantic or the Pacific-probably the latter. We could not hope to get personnel to staff more than one yard for such purposes. Steel and other materials not an insuperable obstacle as wartime production would scarcely be feasible unless British yards were bombed and we would then use the materials which would have been used by these destroyed yards.

Admittedly, the Roosevelt Detroit speech placed the seaway argument almost exclusively on grounds of defence - it is essential for defence purposes both for power for war industry and as a mid continent location for the building of warships and cargo ships. There had not been a murmur out of the government on this line because it was feared at Washington that the isolationists would raise the Rush-Bagot point, which might be embarrassing.

I suggested that this fear didn't operate to restrain Mr. Roosevelt. He answered that Roosevelt felt justified in using any shot in his locker and this seemed to him to be pretty effective shot. Ottawa was dealing with the State department and had fallen in line with their views. We had stressed the importance of the seaway power from a defence viewpoint and it was only on this argument, publicly stated, that Mitch Hepburn had reversed his former position. But we didn't want any American isolationists to begin raising hell with Washington because Canada was actually violating the agreement in construction now underway in our Great Lakes ship-yards.

He could see no harm in a full summary of Roosevelt's speech at Detroit and I'll do this and mail it. But there ought not to be, he thought, any reference to the corvettes and the "modern interpretation" exchange of notes is strictly out.

The corvette business, he said, had been amusing and most embarrassing. Howe and his staff captains had let contracts for the building of corvettes on the lakes and the work was well in hand, before anyone knew about it. Howe knew nothing of the Rush-Bagot agreement and had never informed External Affairs and the matter was brought to his attention by the State department which sent up a polite note asking what the hell was happening on the lakes. He had to do a

bit of explaining and it was very fortunate that the modern interpretation had been accomplished. Even so, no notice had been sent to the U.S.

16. 11 December 1940 [DP, QUA].

[Information in the following memorandum came from Ralph Bell, president of Federal Aircraft from July to August 1940, aircraft controller, director general of aircraft production and a member of the executive committee of the Department of Munitions and Supply, June 1940 to October 1944. William S. Knudsen, president of General Motors, became chairman of the advisory committee to the United States Council on National Defence in 1940, and subsequently director of the Office of Production Management from 1941 to 1945. James G. Gardiner was minister of national war services, a new department to which General L.R. LaFleche had been assigned as deputy minister.]

Airplane industry in a mess due in part to the difficulties of getting into production and, in larger part, to the stupidity and stubbornness of the British manufacturers and the British authorities.

Our production now is 120 planes per month, the same as last June. The forecast increase to 380 planes per month by January had not come true and cannot be fulfilled. All but 10 of the 120 planes are trainers, chiefly elementary trainers-fleets and moths.

Looking back it was clear that our airplane industry and the air training plan should have been based upon United States machines. We could have built up our industry easily on this basis. Instead we trusted Britain to supply the advanced trainers under the plan and have tried to get into production on British models and have experienced nothing but headaches.

The best airplane factory in Canada - at Malton, has been useless because it was tooled to produce Lysanders and only got into production when Britain ruled this craft obsolete. Malton will complete 40 Lysanders before March but they are no longer of any use. Meantime Malton cannot get into new production because the British cannot agree on new models-keep on making changes. Until Britain calls a halt on changing her new models and goes into production nothing is possible at Malton. Bell expects such a decision within two weeks but isn’t sure and is relying upon Howe to raise hell with Beaverbrook.

The Vancouver Boeing plant is in the same fix and for the same reason. No progress possible until someone in Britain comes to a decision.

Hurricane production expanding and will be producing 15 per month by March but Hurricanes and Spitfires will soon be obsolete.

It is true, he said, that every war plane is obsolete the moment it comes off the drafting table and it takes rare courage to cry halt to improvements. His damnation of the British on this account is tempered by exactly the same weakness here at home-with respect to Ansons (more later). The rate of improvement is incredible.

Fleets and de Havilland will soon be finished with production of elementary trainers and will pass on to produce intermediate trainers. Fleet will produce a model of their own design which has been approved by our air experts and de Havilland will produce an American trainer model. Both, of course, use U.S. engines.

Otherwise our chief disaster has been with Anson bombers. When the air training plan blew up last May, Britain being no longer able to fulfill her part of the contract-we took over. The plan requires over 5,000 planes of which 2,000 are elementary and 3,000 intermediate and advanced craft. It called for 1600 Anson bombers. The British recalled one shipload on the water and suspended further shipments. Two and a half months later they resumed shipments but there can be no certainty.

We took over the plan, speeded it up, and decided to try and build Ansons framed to take U.S. engines. The wings were already being produced-successfully-by agricultural implement companies.

This meant re-designing the frame work for the different engine and for materials available here. Redesigning began in June under the best air engineer in the country, a Mr. Moffat. He promised to finish the job in October and the plane was to be in production in January. In September Bell realized that Moffat was making very slow headway. He rounded up all available air engineers, robbing Fleet, de Haviland etc. and got them all on the job. There was a young army of draughtsmen now working but he didn't think they would finish until January and while the promise was for production in March, we would be exceedingly lucky to get a plane by June. I understand we have some $50 millions sunk in this venture.

One positive peril, said Bell, was the unfailing source of new ideas in the air force. The experts kept on improving the Anson. Only last week they had a brain wave in the form of an entirely different and much better landing gear which would mean that the whole underpart of the plane would have to be re-designed. At some point the axe must fall or we would never produce anything.

The training plan had been saved by the purchase in the U.S. of a substitute for the Anson. This trainer had been bought despite the

strong disapproval of London. Indeed when the government went ahead willy-nilly and bought the substitute, the British at once responded by sending a large shipment of Ansons - as if to meet competition. He had actually signed for a second batch of 700 of these machines - against everybody's orders. He had been bawled out at the time but everybody was happy about it now. The order was accepted and the license had been issued. The plan, therefore, was fairly safe provided we could get the Ansons underway sometime next summer.

Engines: Mr. Bell was frankly opposed to trying to produce engines in Canada. Reasons:

1. We could at best only produce one although war establishment requires ten.

2. To do any kind of a job would cost $50 millions and despite Mr. Howe's optimistic statements in the Commons would take at least two years.

3. U.S. assistance in machine tools and supervisory staff (key men) would be essential.

4. Deep inroads would be made into our limited supply of skilled men.

Again we had been used as a pawn by Britain. When we, ourselves, were giving serious consideration to the proposition last summer, he believed the British had blocked us in the United States. The U.S. manufacturers who had been interested had suddenly cooled off and discovered all manner of difficulties. Then the British, because of air raid damage, decided we should build a Curtiss-Wright engine, and marvellously, the Curtiss-Wright people suddenly saw their way clear to co-operate. Meantime, however, the U.S. engine industry had speeded up to the point where Knudsen has decided that it would be silly to dissipate effort in this way. Why spare the machine tools for such an enterprise in Canada, and the skilled key men who would have to leave the parent plant. He says that it would be much better to concentrate production where it now is and expand a going thing, rather than attempt a small and, on long range, completely uneconomic production in Canada. Whether or no Knudsen can be wangled is as yet unclear.

Other complaints against the British:

(They can't agree on new models).

The British hitherto have striven might and main to keep Canada from producing airplane equipment. They have used direct pressure on Ottawa and have been exceedingly sticky about planes, specifications and formulae. Two examples. Gun turrets-we had a highly successful

manufacturer who had made a hobby of turrets and who felt sure he could produce them if given a chance. He was confirmed in this by a visit to Britain where he inspected factories now producing turrets for the air force. Britain opposed and while not withholding plans, etc., declined to join Ottawa in launching production. We went into the business and, necessarily, in a limited way. The chap succeeded beyond all expectations. Now, however, the German bombers have heavily crippled the British factories and the British are clamoring for all our production and for immediate and large scale increase. Months of precious time have been lost.

Struts or props (can't remember exactly). Made out of wood. Again we had a chap who tackled this job against the wishes of the British and in default of any order from them. And again their plant at Coventry has been blasted and they now are screaming for more output.

Why wait until their own industries are blown to smithereens?

U.S. planes-more particularly fighters. It is true that the U.S. have not yet produced a fighter fit to take the air in the battle of Britain. Their fighters are definitely inferior to the British and German machines but are valuable in the Mediterranean. The trouble is that the U.S. manufacturers after prolonged study and research have decided to retain the radial engine whereas British and German designers use an "in-line" motor in these pursuit ships. The all in-line motor is very narrow and develops up to 1200 horsepower. It permits of a narrow stream-lined plane which attains great speed. Being fluid cooled and very bulky, it is the weakest point in the ship. A burst of fire on the engine will almost certainly send it down. Moreover, as the engine is in the nose of the machine, the pilot's vision is none too good and due to the glare of the exhaust (which is in the pilot's eyes) it is very hard to land these machines at night.

The radial engine is air cooled and much less vulnerable to attack. But it makes for a blunt nosed machine which is slower. The U.S. people have clung to it because on the long view it offers much greater prospects for greater performances than the in-line motor. The U.S. have now produced a radial engine developing 2,200 horsepower and will soon step this up to 4,000 horsepower. Bombing planes powered by engines producing 14,000 or more h.p. are now on the boards and will soon be in production. We have not yet got into our heads what this will mean. It will make possible a battleship of the air, with a crew of 25 men and with armor plate which will be proof against anything under a direct hit by a six pound shell. Such a ship could not be

damaged by anything Germany now has in the air, and its bombload would be treble the load of any present bomber.

With fighters, equal results will be possible. The U.S. has so far produced 3 fighter models. Only one has been proved-the Bell-Cobra which has been flown by our air experts and approved enthusiastically. The British have ordered 700 of them.

Another fighter model, made by the Lockhead people, developed so many “bugs” in the air that it has been abandoned. The third has still to be tested and this will be a longish job.

The Bell-Cobra has a speed of 400 miles per hour, mounts a six pounder firing through the propeller shaft, flanked by two two-pounders-one in each side and two machine guns in each wing. The British want the U.S. to step down the 6-pounder to a two-pounder in order to increase the number of rounds which can be carried. No agreement yet.

Bell spoke most enthusiastically about the Bell-Cobra. The three guns gave the machine a straight trajectory of fire which would make it exceedingly dangerous to the enemy at any reachable range. The machine guns would make it the more effective at the particular range at which they were “set” to join the gun fire. This is of the utmost importance. The Hurricanes and Spitfires are killers but only at a certain range-300 yards. At this point the fire of the eight machine guns converge and simply blow the blazes out of the enemy. But if the enemy is either farther away or nearer than 300 yards, the fire is dissipated, is not concentrated. The three guns, however, would carry on a straight trajectory and would destroy whatever they hit. In a recent test the Cobra had blown a target to bits at 1,000 yards.

Training. Few realize the problem of training skilled men to service the air training plan. We would need more than 20,000 additional mechanics and a special training plan was being launched. He had fought and fought. He had found Mr. Gardiner completely wooden-headed on the matter. Lafleche was no better.

The lads now working in the airplane industry were vitally need-ed where they are and as the supply is increased, as it will be under the special plan, these lads should be taken not to a fool training camp to do squad drill, but to the air training plan to help keep the airplanes in service. The idea of taking a lad out of the airplane business to a training camp was stupidity on a gigantic, incomprehensible scale. He was unable to find words to deal with it.

Plastics. Good work is done here but leader in this line is in the U.S. Have obtained his formula and we are now making two Anson fuselages out of this plastic. These fuselages will be tested for destruction point and if they stand up, 100 frames will be built at a plant in Michigan. These will be tested in flight and if successful we will launch production in a big way in Canada.

17. 30 December 1940 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and from Hector McKinnon, chairman of the Tariff Board, 1940 to 1959, and chairman of the Wartime Prices and Trade Board from September 1939 to November 1941.
W.J. Patterson succeeded Gardiner as premier of Saskatchewan in 1935; T.C. Davis was attorney-general of Saskatchewan. Gardiner was aware that the low price for wheat meant the continuance of depression in Saskatchewan, a condition that was breeding resentment against the provincial and the federal Liberal governments. J.F. Johnston was the Progressive, then the Liberal-Progressive and finally the Liberal M.P. for Lake Centre, Saskatchewan. He was defeated in 1940 and appointed to the Senate in 1943. Adjutor Savard was secretary with particular responsibility for French-speaking Canadians, on the Royal Commission on Dominion-Provincial Relations.]

Hector McKinnon dropped in on Xmas eve and much talk. I asked him why the government hadn't done more for the British in the budget. He said that the facts were most interesting. The cotton thing was a natural. The British have been losing ground steadily in our market and the reduction of duty will not do more than enable them to check this fall in exports to us. It doesn't really mean very much and our textile people knew it and therefore did not yell.

The wool thing was not as clear as it would seem. The British bought up all available wool stocks and discriminated against us on the raw wool, charging our producers more than their own. In addition, the British already hold 60 per cent of our market and are still gaining. Our wool industry had gone out 100 per cent on the war con-tracts and now there are no more war contracts and they are having a bad time. To have aided the British under such circumstances, which he was in favor of doing, would have been very dangerous politically as the wool industry is spread over more than 100 constituencies and they would have used the discrimination on raw wool to the limit.

He had appeared before cabinet for two hours to discuss boots and shoes. Here was an open-and-shut case for a tariff reduction. Less than 1 per cent of home consumption imported, practically a monopoly, British producers sorely in need of markets. The one bad feature is that the

British set up a hide controller who is in the shoe business and he promptly put in an embargo against Canadian hides, which was the chief export market of our tanneries. Our tanneries own most of our shoe manufacturing establishments and the resentment here is very deep. In fact the government took this matter up and the embargo was relaxed somewhat late in November, but after the budget came down. And even now it is still pretty bad. Hector made the point that it was unwise for governments to put interested parties in control of supplies. Their acts were always open to interpretation on basis of self-interest.

He developed his case and when finished, Lapointe interrupted to say very briefly and firmly that if the tariff on boots and shoes, now 25 per cent, was reduced the government would have to find a new minister of justice. Mr. King ignored this statement and asked Hector if he had any recommendation. Hector said that he thought a cut of 5 per cent would not hurt anybody in Canada and would let in several thousand pairs of top grade shoes, which do not really compete with domestic production. If this seemed too much, a cut of 2 1/2 per cent would be a worthwhile gesture and would bring very little change.

Mr. Lapointe then repeated his statement, being a little pale, Hector thought. King said that surely he could not mean it and Lapointe answered that on the contrary he had never been more serious. The matter just dropped flat. Hector was dismissed and that was the end of it.

Asked T.A. about this. He confirmed Hector's story in toto, adding that Lapointe had withdrawn from cabinet a short time after and when he was gone King had said that he was certain that Lapointe would not maintain this position and that a reduction in the boot and shoe tariff would certainly be included in the next budget. T.A. said that one mustn't think that Lapointe is being purely selfish. It is true that he has most of the industry in Quebec East, but Lapointe had never been personally selfish in such matters. Lapointe since the outbreak of war had followed the line that nothing must be done to hurt Quebec, to diminish morale there, to give a handle to the very active nationalist and anti-war elements. This was his line. T.A. thought Lapointe would come round and thought King would drive it through willy-nilly.

Odd letters seeping back from Saskatchewan re Jimmie's visit. One minister in the Saskatchewan gov't writes confidentially to say that Jimmie went west like a submarine on patrol, loaded with a torpedo for Patterson. He means to torpedo Patterson via the Senate and install

Tommy Davis as premier, thus hoping to avert provincial defeat. This confirmed to T.A. from other sources, I suspect King. King wants to give this senatorship to Fred Johnston but must take account of the political situation in the province.

T.A. very angry with Jimmie who is doing the government untold harm. You will recall that Jimmie came back from London with a proposal which he said had been accepted by Lord Woolton, food minister, to take 120 million bushels of wheat at 85 cents flat. This would about clear up the 1939 crop carryover and permit a final payment to be made-to which Jimmie has long been committed. Unless some manna of this kind descends, there won't be any final payment because carrying charges have eaten away earlier profits and at 70 cents the remaining bushelage would produce a hefty deficit.

Gardiner wanted cabinet to grab the 85 cents, put it up forthwith and pay off. T.A. suggested to cabinet that Jimmie didn't understand what he was talking about. T.A. pointed out that Britain already owned enough wheat in Canada to keep her going until July. The 120 Million would begin to be shipped next August and would run for about 10 months. The price might be 85 cents but who paid the storage charges? The actual price would either be in the seventies or the nineties depending upon how this question was answered. Jimmie said that the British paid the storage charges but T.A. insist-ed on proof so a cable was sent to Woolton and the answer came back (T.A. is acting minister of Trade and Commerce) to the effect that he didn't understand what Mr. Gardiner was talking about and had no recollection of any such commitment. Naturally, Canada would have to pay storage on any purchase of this kind but the British were not keen to make such a purchase. T.A.'s line was that Jimmie must be wrong unless the great Mr. Rank had turned himself into a bedtime story. Jimmie has received the reply and has made no comment in cabinet.

Now Jimmie comes out with the line that there is an escape clause in the bacon deal whereby the price may be raised. This is resented in Britain, because there isn't any escape clause, and in T.A.'s judgment is very poor politics at home. Every producer will now begin to scream for a higher price via the escape clause. Higher prices may come, due to U.S. influence, but why repeat the 1939 crop blunder by promising something which may or may not be fulfillable. Jimmie is desperately disliked in cabinet and appears to be losing ground furiously in the country.

... Adjutor and Sandy are almost without hope of real achievement at the coming [*dominion-provincial*] conference. T.A. has been trying to get King to screw his courage up to the fighting point. He would go so far as to have a general election on the issue. But King will not do anything of this nature. He will speak bravely for the [*Rowell-Sirois*] report on the opening day but if the provinces won't have it, the conference will be adjourned and he will use the taxation method of skinning the cat. Adjutor says that the whole nationalist pack in Quebec is in full cry-clergy and all. Le Devoir is despicable.

Dr. Sirois has had a very serious heart attack and is unlikely ever to be able to do hard work again. He will probably remain as chairman of the Unemployment Insurance Commission as a figurehead but he will be an invalid for the duration of his life. That is too bad. He is a great gentleman. ...

18. 3 January 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and C.G. (Chubby) Power. Gardiner on his return from Britain had delivered a radio broad-cast containing statements on labour shortages and policy which failed to take account of changes in government policy that had occurred during his absence. It seems likely that King rebuked Gardiner for this breach of cabinet solidarity. W.F. Nickle was a former Conservative M.P. and attorney general of Ontario. B.T. Richardson of the Regina Leader Post was sent to Ottawa in the summer of 1940 to help Dexter cover national affairs for the Sifton papers. On Christmas Day 1940, a Canadian corps overseas was established from the first and second Canadian divisions and the necessary corps troops, with a third division to follow, so as to bring the corps to the normal standard.]

There is some evidence that Mr. King has marked Jimmie Gardiner for transference as soon as may be to the ranks of the vast majority of politicians-the Senate or the discard.

When Willie goes to work on a job of this kind it is always a 25 act tragedy with the throat slitting in the second last scene but one and the final curtain falling on Mr. King commiserating with the victim's widow if he has one.

Jimmie has been desperately unpopular with the cabinet at large for some time. Ralston once remarked to me that Jimmie was the most difficult colleague he had ever known. T.A.'s criticisms are confined to periodic outbursts of indignation when Jimmie sells the government down the river. He was hopping mad at Jimmie's sliding scale speech on bacon the other day, this being another unfulfillable pledge like the speech on a final payment on the 1939 crop. But T.A. doesn't hold grudges nor does he stay mad.

King spanked Jimmie re the labor nonsense, as per Jimmie's confession after the spanking to Norman Lambert. King then took the line that Jimmie was being overworked and would have to be relieved of one or other portfolio-King thought agriculture [*rather than national war services*]. Jimmie then talked of revolt, of crossing the floor and so on.

I don't think King has ever paid any detailed attention to Jimmie's harpoon play with the rest of the ministers on wheat, bacon and so on. I learned this morning, however, that King was absolutely scandalized by a letter he received from a farmer friend in York county named Dryden. Dryden had tackled Jimmie about cheese or fruit or something and Jimmie had replied that he, Jimmie, was only the representative of the prairie provinces and that Dryden had better talk his troubles over with his own Ontario ministers. King was horrified to find a colleague saying that he did not represent the country at large, that he was a sectional man. This went dead against the whole of Willie's philosophy and effort in public life. He then checked over Jimmie's speeches on agricultural products-wheat, bacon and the like-and began writing letters dealing with agriculture without consulting Jimmie as to what he said. He wrote to Dryden, to W.F. Nickle at Kingston and a letter goes today to Campbell the premier of P.E.I. I was shown copies of these letters this morning and they are all substantially the same. I presume the showing of the copies was deliberate and I gathered that King had expected that Dryden and Nickle would make their letters from him public. He wants the letters printed but doesn't know how to get them out. My understanding is that I am to see Campbell when the conference is on, let him know that I know of the letter and suggest publication. I am to refer Campbell to [KRL.] Henry, King's sec, for authority to release and this will promptly be given.

In these letters, King takes this line:

Primary industry, notably agriculture, is the first casualty of the war. Agriculture depended upon world markets which have been shut off by war. There is no possible hope for agriculture unless this war is won and the world is re-opened to our products. Therefore agriculture above all other industries should realize how vital victory is. Being a war casualty, the industry has a direct call upon the government for assistance during this hard time. The government from the outset realized the position and has made it a cardinal point of policy to spread the burden of these war casualty industries fairly over the public at large. This is being done. It may be a matter for

discussion whether the policy is entirely fair. There may be need of adjustment. But the vital fact is that agriculture should realize its position because of the war and realize that all of Canada is sharing the burden of carrying it. Words to this effect.

King now regrets that he did not include a passage of this kind in his speech last session. He didn't do so out of consideration for Gardiner. But he wants to be published now.

... I understand that thought is being given to a switch between T.A. and MacKinnon. I do not think T.A. has heard of this and I don't think he would like it or favor it. But the East Block suggests that if a western farmer could be got into Trade and Commerce, who knew farm problems, the wheat business and so on, it might then be reasonable to shift agriculture to the east. The sale of western farm products would be in the hands of their own man. Eastern agriculture would have a bit of a break in a portfolio which has been in the west for a very long time. I think this is probably being thought of. It bears all the marks of King's mental processes and comes from one of his secretaries.

Jimmie told Rich this morning that he would not surrender agriculture as the other department was sheer window dressing-nothing to do.

Cabinet discussions on war effort have been interesting. This information from T.A. and Chubby. When the corps was approved on Xmas eve, the question of size was discussed with deputy chief of staff apparently present. King and Lapointe insisted that no more troops must be raised for the army. We had enough and we must throw our full strength into the air force and navy. T.A. told me that there was a little discussion due, he thought to a feeling among some of the Ontario ministers that King and Lapointe were trying to shield Quebec. Victor heartily approves of the policy of sitting on the army lid. Chubby regarded the discussion as one in which he could not properly take a part. He is exceedingly odd in his sense of fairness. As air minister he thought he would be prejudiced and therefore he said nothing. Nor, he told me, would he advocate a greater air expenditure at the expense of either of the other two services. It would be sheer selfishness. There must have been other encounters in cabinet because he baulked a bit when Victor batted up a $2 mil-lion item for garages etc. to him. "You can't get money for the army these days," said Chubby. He agreed, however, when he found out it was only for the maintenance of some 4,000 trucks which have been steadily going to hell since winter came.

Chubby is very alarmed about the basic situation in Quebec. The air force is really the only branch of the service which has been trying to recruit there in recent months and Chubby is keen to keep the Quebec total up to one third. But Quebec is falling steadily behind and he just doesn't know how to tackle the problem. He wonders if we gave Quebec its own show all through the war services-language etc. and units - if this wouldn't solve it.

19. 26 January 1941 [DP, QUA].

[Information in the following memorandum came from Ralph Bell. Henry Borden, a Toronto lawyer, was general counsel of the Department of Munitions and Supply. Gordon Scott, a Montreal accountant, was an executive assistant and financial adviser to the Department of Munitions and Supply. Ray Lawson, a London printer, succeeded Ralph Bell as president of Federal Aircraft in August 1940.]

This adds details to the piece I wrote you on Friday evening. I won't duplicate points.

The trouble re Anson bombers arose in June when it was decided to re-design the fuselage in terms of Canadian materials, etc. This had been entrusted to a Vickers man named Moffat.

There was an urgent need to give central direction of all companies co-operating in the work. de Haviland was suggested but Vickers said it would be impossible to turn over their man Moffat to a competing firm. The squabble continuing, Bell hit on the idea of a government-owned company, took it to Howe who approved. His proposal was for the government to give this company a firm con-tract for 1000 machines and then let the company go ahead and run things. The job of drafting the charter was given to Henry Borden and his legal associates who conferred privately with Howe. Bell went to Washington and they phoned him to ask if the order-in-council they had drafted was satisfactory. They read it over the phone and he was thunderstruck to find that the company had no power at all, nor any contract for planes. It could only proceed via recommendation to the minister-was hog-tied. He refused to accept this, returned to Ottawa and sent Howe his resignation. Howe called him in, tore up the resignation and told him he must not judge these matters by ordinary standards, should talk it over with the legal experts and take on the job of running the company. Bell went to talk to Gordon Scott, Borden et al, who had kidded him for being fussy. Never mind what the order said, they could fix him anything with Howe-the printed word meant nothing.

Then they proceeded to rig up a board. Bell had never heard anything like this. They joked and wise-cracked-put Bill in or Jim or Dick. Make this one so and so and the other something else. There was no discussion of who was best fitted, just men with unlimited power, playing with it not harmfully or meaning to hurt, but revelling in the consciousness that they were making the thunder roll and the lightning play.

Bell had pointed out to Howe that he was director of aircraft production and as such could not properly be the head of Federal Aircraft, a company engaged in production. Howe simply could not see that this mattered. So long as he (Howe) was satisfied, who else was concerned? Finally, in mid July, Bell agreed to be head of Federal until such time as machines were produced, which he expected would be January, 1941. (Bell joined the department on June 4, as a member of the executive committee.)

Two weeks later, around Aug. 1, Howe asked him what he (Bell) was doing as head of Federal; said he shouldn't be there. Bell recalled the earlier conversation and Howe agreed he (Bell) had been right. Howe told Bell to get off the board. He wanted to make Lawson head of it. Lawson had been head of Research Ltd., but had been unable to get on with either the directors or the staff and had to be moved. Bell had never met Lawson. Howe phoned Lawson and made a date at Ottawa early in August, instructing Bell to meet him at Ottawa, take him to Montreal and install him in Federal.

Lawson turned up and Bell drove him to Montreal. En route he undertook to give Lawson advice. He asked him if he knew anything of airplane production. Lawson said no, but added that he had had a very large experience as an executive in big business. Bell said that he had known nothing of airplane production at the outset and had laid low for several weeks trying to learn the rudiments of the business. Lawson said that he didn't propose to be a dummy. Obviously all that Federal lacked was executive direction: that was his forte and he proposed to give it the works. Bell apologized for mentioning the matter and from the moment Lawson took command he began to give orders and raised hell all round.

Matters came to a head when unable to convince the associated companies that he (Lawson) knew better than they did, Lawson hired the basement of Donat Raymond's hockey stadium in Montreal for $11,000 per year and undertook to show the airplane industry how to do the job. Lawson actually took over, Bell says, on Aug. 25. Meantime there had been other complications. Bell in July saw that the Avro Anson job could not be delivered by January. Britain's

suspension of shipments still applied. The air training plan required 1600 twin-engined bomber trainers. He went to Washington in search of a substitute machine which could be delivered in time to save the plan. He found one in the Cessna. U.S. air experts demonstrated to him that it was an efficient substitute. Our air force men at first disputed this but on test came round. This was reported to London and the British promptly objected. The Cessna was not an acceptable substitute. He was able to buy 500 of them and wanted to do so, but Howe decided to act on Britain's advice. Bell did not tell him he had left a priority with Cessna-they must consult him before selling to anyone else.

The British promptly resumed shipments of Ansons and almost immediately Cessna phoned long distance to say that the British had put in an order for the 500 machines, for which Bell held the priority. The British wanted them as substitute trainers for Ansons.

Bell closed a deal without consulting anyone. He bought 180, took an option on 70 and maintained the priority on the balance. He believed and still believes that for commercial reasons, the British wanted to keep Cessna out of Canada: to retain our military plane market for themselves. To this end in war, they were willing to ship 500 machines across the ocean and replace them by 500 Cessnas also to be shipped across the ocean.

The British have never mentioned Bell's action. Bell added another 290 to his order and option, thus making 540 Cessnas in all, which will take up all Cessna production until January 1942. He still has his priority after that date.

This gives the following plane set-up. We have now 359 Ansons, and Britain will send 300 more in 1941. This, with the Cessnas, of which 250 odd have been delivered, gives him 1199 out of the 1600 planes required. This will see the [Commonwealth Air Training] plan through 1941 and if Britain falls down and Canadian production fails, more Cessnas can be obtained. He has no fears for the plan, even if the worst happens.

Lawson expects to begin deliveries in March but Bell thinks it will be June or July, even later, before a machine appears.

20. 28 January 1941 [DP, QUA].

[Information in the following memorandum came from J.L. Ralston.

In the late autumn of 1940, J.L. Ralston and C.D. Howe, described by Mackenzie King as "the two most valuable men in our war effort," visited Britain to ensure that Canadian military and war production plans harmonized with those of Britain. Both missions began badly. Howe's ship was torpedoed and one member of his official

party drowned. Ralston, flying to Britain in an unheated bomber, suffered a crippling attack of sciatica and was taken to the Canadian army hospital at Taplow on the Cliveden estate of Viscount Astor. Astor's wife, the formidable Nancy, was a Conservative M.P. and prominent political hostess of the 1930's. Ralston later reported to the prime minister that Churchill saw no possibility of invading Europe in 1941 and that additional troops were greatly needed in Britain because of the large force the British had sent to North Africa. Dexter interviewed Ralston four days after his return to Ottawa. The Joint Defence agreement to which Dexter refers is the Canadian-American defence agreement signed at Ogdensburg in August 1940. The minister who visited Ralston at the Dorchester Hotel was L.S. Amery, secretary of state for India. For another account of this incident see R.S. Malone, A Portrait of War, 1939-1943 (Toronto: Collins, 1983) pp. 34-35. General Weygand, after the fall of France, became the military ruler of French North Africa under the Vichy regime. Pierre Laval had been premier in the Vichy government since the Franco-German armistice. On 13 December 1940, Petain replaced him with Pierre Flandin who was expected to be less pro-German. The Germans, however, refused to accept Flandin and on 9 February 1941, he was replaced by Admiral Darlan.]

This memo is especially confidential. You remember Gladstone's crack about "confidential" meaning that a minister might tell his wife but none other, while "secret" meant that even wives were out. This one is secret-double plus. ... I'd best not name anybody but you will gather who "he" is as the memo proceeds. He didn't say anything to me about not talking but of course he figured it that way. I was not able to take notes and may not be able to remember everything. I'll add to this memo as points recur.

He was pretty sick on arrival and went to Nancy's hospital where great efforts were made to take him into camp. He saw through these efforts and got very fed up. After a week he was no better but set out to work in a wheel chair, setting up an office in the Dorchester. Detailed discussions covering the whole field of the war program followed. In the result we have agreed to raise two more divisions and to enlarge and recast our armoured division. The cost will decrease, which I think means that the increase is in a new kind of armoured motorcycle with twin-side cars.

I learned for the first time that we are pledged under the Joint Defence agreement to maintain two divisions fully equipped, in Canada, one on the east and the other on the west coast.

The third division will go overseas in March and the fourth in the fall. The reason for this is the belief that the final action will be on the continent, where, Churchill doesn't know, but probably in France. Through a Quebecker as will be shown, direct word has come from Petain, and at the proper time a general uprising may be looked for. Churchill now figures on this in 1942 when he expects to win the war.

The two additional divisions complete the plan for us, apart from navy, so far as my conversation goes. We will expand the navy of course as quickly as possible.

The big air force story is untrue. We will form the Canadian trainees under the plan into Canadian squadrons. Britain will pay them British rates of pay and Ottawa will bring this up to Canadian rates which are higher.

He [*Ralston*] got pretty fed up in the early phases with Duchesses and social leaders. One day a junior minister, whose name evades me, came to see him just as he was going out to keep an appointment. The man refused to let him go so he said that he was sorry and didn't want to appear to be rude, but he wasn't interested in society, "I came over here to find out how we are going to win this war."

The next day Churchill sent for him and greeted him at the door with – "So you came over to find out how we propose to win this war." This was on or about Dec. 28. He was a little embarrassed but answered, "That is right." "And you haven't got very far, eh?" "No, I haven't."

Churchill then outlined the situation to him.

Within six months Mussolini would be knocked out of the war. Germany might go south through Bulgaria and crush Greece but if Germany touched Turkey Russia would fight. Russia desired most of all to keep out of the war but would intervene to protect vital interests and the Dardanelles are vital to her. He didn't say what Turkey would do re Greece and Bulgaria. Apart from the Mediterranean, Britain will mark time in 1941-start no land fighting. It will be a period of gathering strength - arming the new army.

Churchill believes Hitler will strike in March, perhaps earlier - but will fail, though he may do much damage. But he looks for no collapse on that account. Thirty-four divisions are needed to defend Britain-say about 700,000 men. The whole of the army will be completely mechanized. By 1942 there will be a large striking force and the game will be to hit at various points, hit and run, testing for weakness. Air pressure will be increased steadily. Meantime the collapse of the Italian empire in Africa will strengthen Singapore and the general position against Japan.

Re France. At Churchill's request we did not sever relations. We sent a man named [Pierre] Dupuys who had been in the Paris legation, to Vichy. He went in via Portugal - had a difficult time reaching Vichy. Ostensibly he went to look after the interests of Canadians in unoccupied France. The French government refused to receive him, or

to look at his credentials. No one would speak to him. After a little while, however, he began to receive callers at night and finally he went at night to some place where he had a talk with Petain. He was to return to London to arrange for the exchange of British and Canadians in unoccupied France for Frenchmen in England. He was to tell Churchill that Petain and the real people in the Vichy government understood well where their future lies. They can do nothing now and the slightest friendly act toward Britain would be fatal. In fact Churchill must look for incidents, which will occur inevitably anyhow, treat them as real, and be tough. Vichy will be tough too. Meantime, Weygand is the ace in the hole and knows what is expected of him-to fight if unoccupied France is occupied and anyhow to prepare for the day when France will make a bid for freedom. Petain is allowed an army of some 250,000 men and this is being used to the limit. As fast as men are trained they slip across to Weygand and others are called up. They have to be very careful about this and may get caught but they are taking that chance. The French navy will never fall into Hitler's hands-Churchill can be certain about that. Oran was an outrage.

Petain must play for time until the French people are sick to the teeth with the Nazis and are ready to strike. Until then he will accept Laval as he must, or anyone nominated by Hitler, but this won't mean anything.

Churchill is inclined to believe Dupuys and anyhow is certain that the occupied countries will be eagerly awaiting the chance to rise when it comes.

Petain wanted de Gaulle called off - only doing harm - nothing the matter with Frenchmen when their opportunity came.

They will try to send Dupuys back but cannot be sure if the Nazis will not suspect him of being an intermediary.

He [Ralston] was particularly annoyed by a British custom of drawing up memos of conversations and mailing them afterwards, saying this is the sense of the conversation and would he please look over and confirm. As a rule and often on important matters these memos shaded his position in favor of Britain. He couldn't take time to redraft and edit these memos and they became a burden. He told Churchill of this practice which he disliked and said he thought he would adopt it himself.

"Do you mean to make a record of this conversation?" asked Mr. Churchill. "Yes", he replied. "Please send me a copy."

The memo went forward the next day.

He said that he has a habit of editing memos in his own office so heavily, writing all over them, that the help refer to the finished article as a masterpiece. Well, his memo came back as a Churchill masterpiece. Winston edited it copiously in red ink. He watered down his Musso forecast slightly, saying that by six months Italy would not be a factor in the war. He added re the invasion that it might be very costly to Britain.

Shipping situation serious because Germany got our complete anti sub equipment in French ports. This has been disastrous. The Germans promptly perfected an instrument which enables them to locate our ships by our own detection machinery-to sight torpedoes by it. Thus they can torpedo a ship without putting up their periscope. Some British scientists suspect that the Germans have produced a torpedo which automatically directs itself to the sub detectors on our ships. The only reply so far has been to bomb naval yards in Germany where the subs are built.

He knows that he has an historic document and he has a detailed diary of his talks with everyone there.

Equipment position in Britain not too hot. They have armed navy men and are very good for static war-to repel the invasion. But there are tremendous gaps in motor equipment, tanks, universal carriers, some guns, caterpillars, etc. Our 2nd division still lacks some 25 pounders.

Canadians not going to Mediterranean as they and the guards brigade are the ace units in the defence of Britain. Churchill will not let them go. They are the best armed and equipped of all British troops.

The battalion in Iceland will be relieved late in March and sent to Britain. It would have gone long ago only this is a dirty assignment and the British were unable to relieve their troops and thought action by our people would make their lads dissatisfied.

21. 29 January 1941 [DP, QUA].

[Information in the following memorandum came from C.D. Howe, minister of munitions and supply; Ralph Bell, and T.A. Crerar. C.D. Howe, in an interview with Dexter three days after his return from Great Britain, dealt chiefly with his version of factional conflicts within his department. His impressions of certain members of Churchill's cabinet were eccentric, not to say, inaccurate-an echo, probably, of current opinion in London business and financial circles. E.P. Taylor was joint director general of munitions production, Department of Munitions and Supply; W.F. Drysdale was director general of ammunition, Department of Munitions and Supply. B.T. Richardson and Bruce Hutchison were the two journalists who interviewed Harry J. Carmichael. Carmichael, general manager of General Motors of

Canada, was director general of gun production, January 1941 to August 1942, and chairman of the production committee, September 1941 to May 1942, Department of Munitions and Supply. H. Carl Goldenberg, Montreal lawyer and economist, was director general of economics and statistics, Department of Munitions and Supply. Sir Andrew Rae Duncan was British minister of supply; Herbert Morrison was British home secretary.]

The last memo set out Ralph Bell's story.

A few days later MacMillan phoned Bell and said that as head of the War Requirements Board he was taking cards in the Federal Aircraft game. Why the hell weren't planes being produced? He told Bell he'd better get on a train for Montreal, make an investigation and come back and report to him (MacM.). Bell said he didn't need to go to Montreal to find out about Federal as he already knew. MacMillan thereupon said he would go himself and take Bell with him. I haven't seen Bell since but the going must have been pretty tough on Lawson. MacMillan, as will appear, formed a very low opinion of Lawson and Federal.

Meantime the War Requirements Board has made a report for Howe, recommending a priorities office - which MacMillan announced in *Saturday Night* of Jan. 25, without consulting any body-and recommending also that Lawson, Bell, Eddie Taylor, Drysdale and most of the others should be fired forthwith. Howe saw him [*MacMillan*] for a few minutes in Montreal - long enough to tell him he wasn't going to fire anybody. MacMillan also recommended the wiping out of Federal Aircraft, to which Howe would not agree.

At Ottawa Rich and Bruce had seen Carmichael, whom MacMillan had appointed his assistant-also without consulting anybody - and Carmichael had said that they would either get action on their report or quit in 48 hours. He left the idea that this was an ultimatum to Howe.

MacMillan had also been busy with the newspapers, talking freely and suggesting greater newspaper criticism of the department and Howe and saying very frankly who should be fired and who should be kept. He wanted to put Carmichael in the place of Taylor, Drysdale and Co. in charge of production generally.

I gave T.A. a resume of the situation as it stood Tuesday morning and T.A. went promptly to King who primed Howe before the big meeting between Howe and Henry vs MacMillan and Carmichael last night. King's advice, T.A. tells me, was to handle MacM very quietly and not risk an open rupture.

Howe, however, was not one whit disturbed by all this. He referred to the boys as a team of huskies which got out of hand while the lad with the whip was away and began tearing themselves to pieces. He would straighten them out and get things underway again in quick order. He ran over the individuals. Ralph Bell was a dandy fellow but of course would slit anybody's throat. He had known Ralph for twenty years and loved him-but he was well aware that Ralph would stick the knife into him without hesitation. (This is grossly unfair to Bell who it seems to me is the only loyal man in the lot.) Lawson was undoubtedly a very difficult man, but a good fellow and a scrapper. Howe seemed to be shaken in his confidence in Lawson. He is the only man that seems to me in danger of being gutted-because I judge Howe to be as good at throat-slitting as the rest of them.

Anyhow Lawson was under great provocation. He [Howe] had no intention of folding up Federal Aircraft. He knew that the air-plane industry was gunning for Federal but the industry was a complete flop. He wasn't criticising but you must remember that we made but 90 planes a year prior to the war and it was. ridiculous to think so small an industry could be stretched out without breaks and troubles. Garratt of de Haviland was a good talker but 99 per cent bluff. de Haviland was making a mess of all its production other than the Moth, which it had been producing prior to the war. Fleet had fallen down on the new Fleet 60's. The Ottawa Car was a complete washout. What sense was there in turning the Anson job over to these people?

Federal Aircraft's trouble was that they had started away with a man named Moffatt who was a lemon. It took three months to find this out. Howe had fired Moffatt and got an engineer from the C.P R. named Newman who was very capable. If you closed down this show you would set everything back three months and this he would not do.

He intended to get Bell and Lawson together and make them speak to each other and play ball. They could hate each other as much as they liked privately, but it mustn't interfere with the job. He knew that Ralph didn't know one end of an airplane from the other. He hadn't taken him on as an expert but as a go-getter. He could put pep into anything and he wasn't going to fire him.

As for MacMillan, he was a ruthless two-fisted fellow who would trample his best friend down in a matter of business. He knew there had been a good deal of chattering to newspapers and that MacMillan had been blackguarding him (Howe) all over the country. He didn't care

about that. MacMillan was the best man he had. He had come in as timber controller and done a magnificent job. Then little Carl Goldenberg had come to see him and suggested a war requirements board. He had said to Carl-a damn good idea-can you work with H.R.? Yes, Carl had said. And so the board was set up. But Mac had taken one good look at Goldenberg and thrown him out the door. That was Mac's trouble. He hit fellows so hard in one interview that they got nervous breakdowns and weren't worth a damn for days or weeks. He hadn't any tact. Didn't know how to handle people. He would have to comb him down. But he hadn't any intention of losing him. Best man in the whole show. And as for his habit of blackguarding everybody, including his minister, the chief trouble was that he hadn't enough to do. He had run out of work while Howe was overseas. The only way to handle a fellow like that is to load him down so heavy that he hasn't got time to talk out of turn. The priorities board was a good idea but Howe would keep his hand on it, although Mac could actually run the show.

Ralph is giving the gladiators a big party at the Country Club on Saturday night - loving cup etc. This should be a knockout party. Howe will preside over as pretty a band of cutthroats and pirates as ever sat around a table.

Howe on Britain: Churchill a marvellous man, a marvellous man. Spent 36 hours with him at his country place. Hadn't any idea he was as great a man as he is. Not that the fellows in the City think much of him. Amazing to hear the financial fellows grousing. Churchill not really a prime minister at all - just a war strategist. Doesn't know abc about money or finance, doesn't give a damn what happens to the pound. In fact things have reached the point where the City fellows themselves don't know what is happening or will happen to the pound. Whole thing a gigantic muddle and most discouraging.

Beaverbrook a colossal failure. Andrew Rae Duncan told him that Winston must either fire Beaverbrook or the government will come down. Beaverbrook been bally-hooed by popular press but air plane industry in a mess. Production down 18 per cent. Not producing the machines. Bevin also a ghastly failure-this apparently from Churchill (I doubt this). The two men who have made good are Morrison and Duncan.

Churchill not worried about subs. They are losing 5 million tons per year-not reporting their full losses-and are only building 1.5 millions. But crisis of war must come within 6 months, perhaps in

30 days. Hitler must try to invade and end the war. Churchill confident invasion can be beaten but believes that Hitler will throw every-thing he has against them-including gas-and that they will be very badly hurt. Once this crisis is survived, no chance of failure on tonnage as U.S. will come across. Churchill's only worry is the invasion.

We are going to go on with the tank program because U.S. has still only got plans for new tank-production far away.

22. 4 February 1941 [DP, QUA].
[Information in the following memorandum came from Senator Norman Lambert. Stanley McLean was president of Canada Packers.]

The pieces in this puzzle begin to fall into their proper places.

During Howe's absence, Cliff Clark, Towers and Co persuaded Ilsley to try and straighten out the financial side of the Munitions and Supply department. Ilsley distrusts MacMillan. Norman Lambert who has been called in to advise reports thaf the cabinet is very sensitive re the national government line of criticism. They tend to close their ranks against any attack from this quarter. Ilsley distrusts MacMillan because he suspects that MacMillan favors a national government. In Ilsley's name, if not by direct instruction, MacMillan was to be asked to try and find out how much money would have to be paid on account of Munitions and Supply contracts this fiscal year, so that Ilsley could prepare his budget.

MacMillan's report went much further than the instructions - into personnel, etc. - as earlier memos indicate, but was really done for Ilsley. Howe returned before the report was in and MacMillan handed it to Howe, not Ilsley. At the same time MacMillan began talking on the quiet to newspapermen and copies of the resultant briefs, as you know, got back to King. In these briefs MacMillan was represented as urging the newspapers to attack the government.

Howe did not criticize MacMillan in cabinet. The cabinet expected him to do so and were ready to fire MacMillan. MacMillan himself wanted to resign last Saturday, but was persuaded not to do so by Stanley McLean.

The fact that Howe did not take the situation seriously is regarded by Ilsley, Macdonald and others as proof that Howe desires a national government, which he does. He makes no bones about the need to fire half a dozen or more of the present cabinet.

King, this afternoon, sent a memo to be circulated among the senior officials of munitions and supply, asking them to abstain from talking with newspapermen and asking them to refer all inquiries to their minister.

Norman thinks MacMillan will go and probably raise hell, and that a cabinet break-up is impending, with Mr. King as the head of a nationalist ministry.

Will be talking with him tomorrow morning. Needless to say, no love is being wasted between Howe and Ilsley.

23. 5 February 1941 [DP, QUA].

[Information in the following memorandum came from Senator Norman Lambert. R.A.C. Henry was a member of the executive committee, Department of Munitions and Supply. A.B. Purvis, formerly president of CIL, was head of the Anglo-French Purchasing Mission in Washington since December 1939.]

... Lambert was called into consultation Monday and Tuesday by Mr. King, Ilsley and Howe. He made a few inquiries on his own, obtaining from R.A.C. Henry an account of the meeting between Howe and Henry and MacMillan and Carmichael.

The P.M. is disturbed about the situation and is inclined to think that Mr. MacMillan is a rather dangerous man to have on the job. He thinks he should be handled tactfully and Norman gathered in due course should be dropped.

The interview took place on the night of Howe's return to Ottawa. You will recall that the MacMillan report - prepared for Ilsley but presented to Howe-was placed in Howe's hands at Montreal on the Sunday. This interview took place here on the following Monday.

Howe declined to accept the recommendations re the firing of Drysdale, Taylor, etc., but on Henry's suggestion thought the suggestion to place Carmichael in charge of production a good one. This would mean moving Taylor, but Howe had other uses for him. Howe asked MacMillan if he was agreeable to putting Carmichael in charge of production and MacMillan said yes, very emphatically.

Federal Aircraft situation was gone into and the MacMillan advice rejected.

When it came to MacMillan's view as to his own functions, Howe said he had decided pretty well to fold up the War Requirements Board. MacMillan pointed out that there was a clear need for a general manager, for some one to co-ordinate the various directors-general.

"You want my job," Howe said, "and I'm not ready to turn it over to you yet."

He suggested to MacMillan that he would wipe out the requirements board and that MacMillan could tag along with him (Howe). Tagging along means, according to what Howe told Norman, that MacMillan will become the head of a priorities division and will deal with matters of delivery, etc., referred to him by any of the directors-general. He will be on a par with the rest of them. Taylor will take Gordon Scott's place as executive assistant and general factotem - contracts, liaison with Purvis etc.

Howe is making his proposal to MacMillan this afternoon. Whether or no he will accept, Norman had no idea. If not, Howe would have either to make a better offer or face the alternative.

Ilsley talked to Norman about the munitions and supply situation. Ilsley said he could obtain no figure on expenditures under pre-sent commitments in 1941-42 but, much more harassing to him, Angus had found that a great many orders have been given by Howe (1) without any contract as yet and (2) with a contract but no order-in-council ratifying it. Actually, the commitments are greater than Howe's figures show-how much he can't find out.

Norman told him that he must exercise his undoubted right as finance minister to know what commitments had been entered into and what amounts must be paid. Ilsley, he said, could insist that a copy of all contracts entered into must be sent to Finance and he could have these contracts analysed in his own department. Ilsley thought this would entail an enormous amount of detail work, much of it overlapping work which Munitions and Supply must be doing. Ilsley complained that Howe is running a government of his own.

Norman feels sure that a reorganization of the government is not far away. He proposes to join the opposition Liberals largely, I thought, because he hates King. It bothers him a little to think that Gardiner will be with him.

24. 6 February 1941 [DP, QUA].

Wind-up Howe and MacMillan.

MacMillan did not keep his date with Howe on Monday after-noon, nor did he send any word to his minister. Howe, apparently disturbed, asked Carmichael to go to MacMillan who was in the hotel and make a proposition to him. The War Requirements Board was to be abolished,

but MacMillan could have his priorities board and function in the Department [of Munitions and Supply] as one of the directors general, dealing with matters submitted to him by the minister or the other directors.

MacMillan told Carmichael that he had not had a date with the minister. There were two things the matter with the proposition. The first was that Mr. Howe might put it to MacM direct, instead of through an intermediary. The second was that he (MacM) didn't like the proposition anyway.

Carmichael returned and reported.

Howe sent for MacMillan and they had a long interview on Wednesday afternoon. Just what passed between them, I can't find out, except in snatches as told by Howe to a friend who told me. Howe gave way on the War Requirements Board, agreeing to retain it. Discussion then passed on to what powers the board should have. MacM wanted the powers enlarged so that the activities of the department could be co-ordinated. Howe was not prepared to discuss changes and, unless he is really frightened of MacM, I don't think he will agree. The priorities office could function under the board. Howe is prepared to concede that.

Discussion regarding the powers of the board was deferred. MacM is returning to Vancouver to attend the wedding of his daughter and the final showdown will take place when he returns, say 10 days hence. Meantime MacM will not resign but he reserves an absolutely free hand for the future.

After talking with Howe, MacM I think saw Cliff Clark and Towers who urged him to stay and will get busy at once to bring pressure on Howe. They will say to Ilsley that it is impossible to budget-to face the financial problems this year-unless he knows the position of Munitions and Supply. All efforts to get Howe to straighten out his accounts and find out where he is at have failed. MacM is the only man in sight who can do the job. If we lose MacM the position will be well-nigh hopeless. Ilsley, actually, dislikes MacM very much because he believes him to be a tory and a nation-al government man-doing his utmost to wreck the present ministry. Can't say how this drive will work out.

Howe and MacM got right down to cases. At one point Howe said to MacM-If you quit what will you say?
MacM-Nothing.
Howe-What will the newspapers say?
MacM-I don't know and don't care.

A pause
MacM-If I quit what would you say?
Howe-That would depend upon what you said and what the newspapers said.

25. 21 February 1941 [DP, QUA].
[Information in the following memorandum came from Victor Sifton, master general of the ordnance, J.L. Ralston, minister of national defence, C.D. Howe, C.G. (Chubby) Power, and T.A. Crerar. George S. Currie, a Montreal accountant, was an executive assistant to the minister of national defence. Treasury Board is a statutory committee of the cabinet, chaired by the minister of finance and empowered to examine and approve all departmental estimates before they are submitted to parliament. Mr. Justice A.B. Hudson was a member of the Supreme Court of Canada. The Free Press leader of 19 February 1941 entitled, "Safeguards Against Crisis," reject-ed the idea of a coalition government but urged that new men of proven administrative ability be brought into the government and that a small inner war cabinet be given supreme direction of the Canadian war effort.]

Since returning I've been tied up more than usual with Victor and have been ill. Nothing really the matter with me except that I seemed just played out and went to bed. Sorry.

Victor's memo to abolish the M.G.O. won support from George Currie and Munitions and Supply but no comment from [General K D. G.] Crerar and only a phone call from Ralston asking Victor to forget about it until the war is over. Subsequent events have demonstrated pretty conclusively that Victor was much more right than he suspected and I fancy he will push his report vigorously, using other means than direct representations.

Interested in cabinet re-organization. Norman Lambert knew that King was considering changes but had not made up his mind.

Spoke to Ralston on Monday. Ralston too far down to engage his mind in this matter. He looks very poorly indeed and the extent to which he has failed in health is best revealed by comparing the man as he now is, on a cane, crippled, with the man of, say, last September. He has aged many years.

Ian Mackenzie had been to Howe to persuade Howe that Victor was at the back of the Bren gun contract story and Howe called me down. Cleared that matter up to his satisfaction and went on to discuss MacMillan. Howe had MacMillan's report to Ilsley on the department of Munitions and Supplies in front of him and was exceedingly angry. He read me the top two pages and then said the whole thing was a tissue of lies and that MacMillan is a son of a B. I asked Howe if he would ever

take MacM. back and he said, “No, not by a damn sight.” He spoke very positively and I learned later that he had promoted some discussion in cabinet and had some reason to speak so positively.

Met Chubby on Tuesday who asked me what was to be done about the cabinet. He said that he had worked out a whole plan of reorganization including a war cabinet and taken it to Mr. King last Friday. He had told King that the present set-up could not continue. Ralston would either be retired because of lack of health, or dead, within four months. He, Chubby, could not, physically, face the session. He was working from 5 a.m. until 1 a.m. and could not keep up the pace. He has been doing most of Ralston’s work in addition to his own.

He made no headway with “the chief” who was not impressed by the proposal to strengthen the cabinet and create an inner war ministry.

Out to see T.A. Wednesday morning-sick at home with a severe cold. King apparently turns to him for advice and King had discussed this situation with him some time previously. King’s idea is that as the war re- opens the demand for broadening the base of the government will grow and reorganization should be a matter of timing. I gathered that King knows that it will be easier to play the part of the butcher, to fire and demote later on when public criticism is more vocal.

T.A. spoke with some feeling about Howe who he thought is very deficient in the kind of ability required in M and S. You need a general manager under the minister whereas Howe tries to manage everything himself. Howe’s temper, also, very much of a handicap. Can’t benefit by criticism, intolerant of cabinet discussions.

T.A. said that the position of the Treasury was impossible and that he felt that Ilsley believed that MacMillan could be used to some purpose. Apparently when MacM went away he left it to his board to arrange for a change in the powers of his show. If the change could be made, he would come back. If not, he would not come back.

The change desired was that the War Requirements Board instead of being an advisory body to Howe, was to be answerable direct to the war committee of the cabinet. Cliff Clark and Towers undertook to sell this idea to Ilsley and R.A.C. Henry was to sell it to Howe. Henry never-tried. In fact Henry is quite ill at Montreal. But Towers and Clark have sold MacM to Ilsley and the line was to bring MacM back into Finance

and attach his board to Treasury Board. In this way it was thought that Treasury Board could get some reliable idea of the cost of war equipment and supplies before approving the items. I take it that Ilsley did not try very hard for this plan in cabinet and that, in view of what Howe said to me, MacM is finished.

T.A said that Treasury Board simply could not function properly because the estimates of the cost of what we are buying are no good. The Treasury Board passes items which then go to Munitions and Supply where the plans and estimates as approved by Treasury Board are torn to pieces and there is no report back to Treasury Board of the changes made. Hence they do not know what they are doing; hence control of the budget was lost. T.A. pointed out that members of the Treasury Board were not competent to pass upon the accuracy of estimates or the soundness of the plans and specifications. He knew nothing of snow pressures on roofs, of standard sizes of windows, of standard sizes of pipes etc. He knew nothing about making tanks or motor trucks or guns or ships. Nor did any of the members of Treasury Board know more than he.

It strikes you at once that Munitions and Supply is actually doing the work of the Ordnance Branch [of the Department of National Defence] but unfortunately is functioning on the wrong side of Treasury Board. And if you think back you will recall that after the Bren gun scandal, the royal commissioner recommended that this business be taken away from National Defence and lodged with a War Purchasing Board which later became the War Supply Board and then the Munitions and Supply Dept. The only possible remedy for this business is to move Munitions and Supply into the place of Ordnance, which is actually what it is. Howe is really the Master General [of Ordnance] and doesn't know it. That is where the machine got derailed.

Victor sees all this very clearly now and is pressing for the necessary change. We are to have a pow-wow with T.A., Mr. Hudson and Alex Johnston on Sunday night. Victor will talk it over with Ralston and perhaps a little publicity may be deemed helpful by Ralston.

It seems evident to me that, if MacM were brought into Finance and attached to Treasury Board, he would at once begin to try to discharge the functions of Munitions and Supply, since the only way accurate estimates of cost can be obtained on most items is in collaboration with the manufacturers who are going to produce the goods.

The Wednesday's leader has caused an extraordinary sensation-shocking none more than King. He has gone away for a day or two to cogitate. The sensation was attended by all the usual rumors and false reports and by the inevitable scandalous gossip-that Victor is merely trying to force his way into the cabinet. This apparently is the cherished belief of the Southam Press. I wired you the latest report that in a subsequent leader we had named the ministers who should be retired as well as the ones who should be summoned. Norman Lambert has been busy trying to track down this report-it came from Joe Thorson who got it from Jimmie Gardiner who got it from Ian Mackenzie who refused to say where he got it from.

26. 11 March 1941 [DP, QUA].

[Information in the following memorandum came from Hume Wrong, a senior official in the Department of External Affairs. In January 1941, O.D. Skelton died. Norman Robertson succeeded him as undersecretary of state for external affairs. Hume Wrong, was sent to Washington as minister-counsellor in the Canadian legation, to assist the new minister, Leighton McCarthy. Wrong had served under W.D. Herridge when the latter was Canadian minister in Washington from 1930 to 1935. James E. Coyne of the Research Department, Bank of Canada, became financial attache in Washington in 1941. Henry Morgenthau was the American secretary of the treasury. Wrong left for Washington on the day after President Roosevelt's Lend-Lease Bill became law. It empowered the president to authorize the production of "any defence article for the government of any country whose defense the President deemed vital to the defense of the United States." It authorized him to dispose of all such articles to any such government on any terms which he deemed satisfactory. By eliminating the need for cash payments on Allied orders in the United States, the Lend-Lease Act solved Britain's dollar exchange problem. But in setting the terms of the aid, the American government stripped Britain of her gold reserves and her overseas investments. The Act also exposed Canada to two dangers: British orders of raw materials, food and munitions might be transferred from Canada to the United States where they would be available on easier terms; and Canada, if she used Lend-Lease to solve her own exchange problems with the United States, might face American demands that she liquidate her investments there.]

Dissatisfied because he was not chosen to succeed Skelton and would have felt less disappointed had Mike Pearson got the job. King told him Norman R.'s appointment not permanent though Hume has reason to know that King spoke differently to Norman.

His rank undecided but thinks it will be Minister-Counsellor, which will put him a step up the diplomatic ladder and help him to do his job.

The gov't also going to appoint a financial attache and the appointee will be Jim Coyne.

The financial problem confronting Canada, vis-a-vis Washington and London, thoroughly discussed Sunday at conference between Ilsley, Howe, Towers, Clark, Norman Robertson and Hume.

Lease lend-wholly beneficial, not injurious in any important way. It will mean that we should concentrate on the production of war materials not available in the U.S. and which Washington will not provide under the lease-lend program, but this switch-over in Canada is now in hand and Howe spoke optimistically of the progress being made.

The enactment of the actual bill doesn't remove difficulties, as the appropriation bills under the act must be passed by Congress and the filibuster will continue on them. The first is expected very soon and it will be for about $10,000 millions.

Agricultural products, in any sense competitive to Canada, do not figure in the lease-lend program. The British government officially has notified Washington that Britain's requirements for wheat and other products available in Canada are fully taken care of and none will be required from the U.S. The only way in which this might arise would be if we are unable to finance Britain's needs here.

War finance: Ostensibly the U.S. government is cleaning Britain out, before beginning lease-lend. Thus all Britain's gold is being taken; all realizable assets in the form of securities, are being sold. But great difficulty is being met with in realizing upon direct investments and the U.S. government is not pressing on this score. A sample of the difficulties is given in the case of Lever Bros, the soap makers. It has been found impossible to organize a new company to take over Lever Bros. The only company which could take over is Colgate's but if this were done Colgate's would become subject to indictment under the anti-trust law and, therefore, to ask the Colgate company to move in is to ask them to make themselves indictable. In fact, nothing is being done in this type of case and there are many other types which defy liquidation.

There are two points in this regard of the utmost interest:

1. Washington is cleaning Britain out-but the clean-out is to pay for British orders in the U.S. But it is not publicly realized that Britain is no longer placing huge orders in the U.S. Washington is doing so, under lease-lend. Therefore Britain's maximum payments to the U.S. will fall in 1941. Thereafter the lease-lend will ease the strain tremendously and Britain will be in a much easier position vis-a-vis U.S.

This year, therefore, we will not receive more than a fraction of the British gold we have received in the past - some $280 millions. It will all

be going to Washington-plus all Britain's remaining gold reserves.

But in 1942, the strain will be off. Washington is not talking about it but the understanding is that Britain will be able to use, on other accounts, the new gold coming in 1942 and after (from South Africa, Australia etc.) and therefore British shipments to Canada will be resumed on a greater scale than previously: on a sufficiently great scale to enable us to meet our adverse balance in the U.S.

Therefore 1941 now appears to be the critical year in Canada's war finance-the hardest year. Towers told them quite frankly that he saw no hope of being able to raise by taxation or loan the full amount which would be required.

The facts as Wrong recalled them are:

Our own estimate of war cost now stands at $1,500 millions but Ilsley thought this was still an under-estimate and possibly by $200 millions.

The estimate of $400 millions for British account is very much below the real total. Since this estimate was made,. British orders have greatly expanded. And the British government has had to slash exports because of the switch over from export to war industry and because of lack of shipping. Every effort is still being made to sustain exports to Canada and the U.S. but a very large reduction is inevitable.

The need for money on British account will come to between $800 millions and $1,000 millions-not the $400 millions estimated.

This means that the National budget, apart from the provinces and municipalities, will total $3,000 millions, perhaps more.

No method of dealing with this has been agreed to. The U.S. end will perhaps run to an adverse balance of $400 millions and will continue to rise. We might lease-lend, but his impression-gained from Clark who is just back-is that Washington would be bound to liquidate some Canadian investments-though not direct investments. This is very unpalatable to Clark and Towers.

Over against this, if we can wiggle through 1941, the British position will greatly improve and they will be able to help us out with gold, which we can use at Washington.

Hume went up a good way in my estimation. He has a good hard mind on figures and financial problems. I had thought in previous conversations that he had gone a little Duchessy. He insists that one of our family must visit him at least once in six months and keep closely in touch-yourself [J W. Dafoe] preferred, otherwise Geo [Ferguson] or I. If we could tap the tree as well as we did today, it

would be worth it. Isn't enamored of his new minister and would greatly have preferred Bill Herridge. McCarthy, however, knows Roosevelt intimately and for a curious reason. McCarthy has a son who had infantile paralysis. He has been taking this boy to Warm Springs for 12 years and usually went there when Roosevelt was there. Roosevelt struck up an acquaintanceship with the boy, as a fel-low sufferer, which extended to the dad and they became intimate friends before Roosevelt moved into the White House. Hume thinks this may be a weakness rather than a strength. It is sometimes unwise for a foreign diplomat to use the president direct. The cabinet ministers resent it and Morgenthau particularly is touchy on this point. McCarthy, however, happens to know M. quite well, too.

27. 25 March 1941 [DP, QUA].

[Information in the following memorandum came from Victor Sifton and T.A. Crerar. Major General B.W. Browne was adjutant general. Colonel M.H.S. Penhale was director of staff duties, Department of National Defence. Major General Kenneth Stuart was vice chief of the general staff. H.D.G. Crerar became a lieu-tenant general in December 1941, an appointment that Ralston must have agreed to. Frank Fowler was manager of the Winnipeg Grain and Produce Clearing Association, an agency of the Winnipeg Grain Exchange, and an old friend of T.A. Crerar and J.W. Dafoe.]

Victor had a long talk with Col. Ralston this morning. The Col. made it clear that Victor has no chance of leaving Ottawa so long as the Col. is minister of National Defence. Whatever Victor chose to do, if Ralston left the department would be his own business. The Col. declined to consider Victor's resignation for two reasons:

He says that he must keep Victor to drive the Munitions and Supply department re tanks and guns. Col. Ralston was very frank in discussing Munitions and Supply. He has no confidence whatever in Howe. He no longer believes what Howe tells him. He is of the opinion that Howe doesn't know what is going on in his own department but trusts himself to whatever the executives over there tell him. And he believes the M. and S. dep't is the worst staffed department in the service and that most of Howe's executives are completely unfitted for their work. He has no intention, himself, of trying to prod Howe forward, of trying to get tanks and guns. He expects Victor to do this.

The second reason is this: that the only branch in his department in which he has confidence is Victor's. Every time he puts his feet on any of the other branches, they go through. Crerar and Browne

are fighting tooth and nail and are bitter enemies. Schmidlin is wholly incompetent. He has no regard at all for the ability of either Browne or Schmidlin. He thinks Crerar is perhaps as good a soldier as we have available for the job in Canada but finds that he has grave weaknesses of character. He is immensely ambitious and is constantly seeking to arrogate to himself the whole business of the department. He even demands copies of letters coming to Ralston personally. Moreover Crerar has surrounded himself with a staff which Ralston described as being as stupid as wooden Indians. He referred in these terms particularly to Col. Burns and Col. Penhale. Ralston likes Ken Stuart but his health is badly broken.

Crerar is bound he is going to get himself made a lieut. general, so as to be the indisputable top of the heap. But Ralston will never agree to this.

Being unable to replace Crerar with an abler man, Ralston must get along as best he can. He must try to drive his team in such a way as to prevent an open break between Crerar and Browne. He wants Victor to play a greater part on the military council, but to be tactful in the sense of not upsetting the boat. And, above all, he wants Victor to stand by him, to be available for general counsel and, as it were, to hold Crerar in check.

I gathered that Victor had about made up his mind to stick it out. He was very pleased to be sure that Ralston had these lads ticketed.

Lunch with Victor, T.A. and Mr. Fowler. After lunch, to T.A.'s office for talk. Mr. Fowler gave T.A. a pretty hot pasting on the wheat policy, attacking the bonus feature for coarse grains etc., with unrestrained vigor. T.A. defended himself by declaring that he had opposed this feature and he read his memo to prove the point.

"Why the hell didn't you fight it out Tom?"

"What would you want me to do-resign?"

"No. No. The trouble with you is that you don't fight enough." and so on.

T.A. obviously very worried with respect to the financial position - very worried. The latest memo from Ilsley to the cabinet indicates war expenditures of $1,450 millions, plus $500 millions for repatriation, plus $432 millions for normal budget, plus $80 millions odd for wheat, plus $78 millions supplementaries, plus $1,000 mil-lions for the provinces and municipalities. It all adds up to 56 per cent of the expected national income for 1941.

They think that the present tax structure will yield about $1,000 millions. They think they can raise taxation by $250 millions-and no

more. This would give them $1,250 millions against a Dominion expenditure of around $2,500 millions. Savings certificates and bond issues can take care of a good part of the balance but not nearly all of it. Moreover, he said, the British end would be $1,000 millions instead of $500 millions.

He could see no escape from a substantial inflation. This would solve their immediate problem and, also, would send prices up so that all taxes would yield higher [returns]. True, it would bear heavily on some sections of the community, but no other course was possible.

He doesn't think the budget will come down until after the recess. There are a good many things still to be explored. They are trying to persuade the U.S. to include in the lease and lend category, the raw materials shipped to Canada for manufacture and re-shipment to Britain. That would give some relief on the balance of payments. He had heard nothing of any substantial shifting of orders for Britain from Canada to the U.S.

Washington, he said, is pretty sticky with Canada so far as lease and lend goes. They are inclined to ship wheat to Britain and if they insist it will be exceedingly difficult to turn them down.

By and large he was very pessimistic.

Mr. Fowler would have nothing whatever to do with inflation, insisting that we must tax and borrow our way through. All the gilt-edged Canadian securities in Britain have been repatriated. There is nothing much left to cash in-stuff like C.P.R., common stock, and the stock of mortgage coys etc are pretty indigestible so far as sales here are concerned. ...

T.A. thought the national defence tax might go up to 5 per cent. The income tax also will go up. He didn't think the sales tax would be raised. But as the detail hasn't yet been discussed there wasn't much significance in this part of the conversation.

I rather gathered that the way of inflation would lie, chiefly, in not declaring the full measure of repatriation and in financing this undeclared part through the banks. In that way it would not be as evident to the public that things were getting out of hand. The whole business deeply disturbing and I'll keep closely in touch.

28. 30 March 1941 [DP, QUA].
[The information in the following memorandum came from J.L. Ralston and T.A. Crerar.]

Col. Ralston and Mr. Howe conferred yesterday. Ralston very critical of Howe but C.D. didn't take any offense. He seemed rather amused by Ralston's impatience, didn't regard the delays in deliveries as of importance.

One very sore point with Ralston is the 25-pounders. These guns were to have been in production last fall but one delay after another has occurred. The latest date, upon which delivery was to be certain, was April 15. A week ago in answer to an urgent inquiry from London, the general staff advised by cable that the guns would begin to come in on the 15th of April. Most of our production of 25-pounders as of other equipment is earmarked for Britain.

Yesterday Munitions and Supply announced to Ralston that the first delivery has been set back for another three months-June by the earliest. Ralston must now correct the despatch to London and he was furious. Howe just laughed at him, said this would not be the first time-by any means-nor the last time that the British would have been told that production is behind schedule.

The 25-pounders when delivered will be minus the sighting equipment. This is in hand but delivery is not expected before the middle of 1942. Fortunately the British and the Americans have agreed to uniform equipment of this kind, including predictors for anti-aircraft guns, and it may be that equipment for our guns can be obtained from the U.S.

Valentine tanks, however, are just coming through. First production is certain for April, but again the bulk of the output goes to Britain. Ralston wants tanks for his infantry tank brigade. Our production begins at the rate of about 10 a month and steps up quite rapidly. The Anglo-American tank for the armored division is still far away; specifications are not yet all in.

The anti-aircraft 3.7 barrels which are the complete gun except for the predictors and sighting equipment and carriages (the latter being very simple to make) are in production and we are actually turning them out at about half the U.S. cost price. These barrels, which include all the firing and loading appendages, are now to be tested but there was supreme confidence that all tests would be met.

Six-inch mortars are in production but here the orders were given in two lots and due to incompetency at Munitions and Supply the second or mass order was so long delayed that there will actually

be a break of three months in production while the raw materials are being assembled. This Ralston regarded as sheer tragedy but Howe just shrugged his shoulders-these slips will happen.

Ralston asked Howe about MacMillan, and Howe replied with some heat that he had MacMillan exactly where he wanted him. “There is nothing not known now, since you published his report,” said R. “You know why I published the report?”, replied H. “No-why?” “I did it to ruin him and I think I did a pretty fair job of it.”

I don’t quite understand Howe’s line of thought here. There is nothing in MacMillan’s report which would ruin anyone, except for the occasional inconsistencies which, true enough, Howe made the most of in later speeches in the House.

Last night at T.A.’s for dinner. T.A. indicated, before the others arrived, that MacMillan had been offered the directorship of ship production-he is now at Halifax-and that his best friends were being told to advise him to accept. Otherwise he will be finished and Howe will let him go.

Ralston’s constant complaint to Howe was that Munitions and Supply are devoting all their effort to speeding up production for Britain and other Commonwealth governments and are not caring a damn about equipping the Canadian army. Howe did not dispute this-pointing out that the stuff was needed more overseas than at home. At the same time, Howe blamed much of present delays and confusion on McLarty. Inflation he said was already underway. “The balloon is going up.” The labor department, he asserted with some temper, should deal with labor resolutely. Instead, the department was giving ground all along the line. The latest instance was at Halifax. There had been labor trouble on the docks. McLarty had gone down to deal with it. The going wage was 75 cents per hour and he had settled the dispute at 85 cents per hour with the result that the dockyard trouble was ended but much more serious trouble had been created in the shipbuilding yards and related industry. In fact all the Maritime labor front had been upset and the only way out was to give more raises in pay. There would be no end to this except wide open inflation.

T.A. is very critical of McLarty. Twice last week he was so drunk in his seat that he was unable to rise to answer questions. King was not present, unfortunately.

T.A. also talked a bit privately about the budget and inflation. It was impossible to finance the budget. Or rather the only way it could be financed was by compulsory loans and the arguments against

compulsion in this field were decisive. Somewhere around 500 or 600 millions of the budget would have to be inflated but it would be up to the government to use price-fixing powers to the limit to pre-vent undue rises in living costs. Some rises in non-essentials would cause a degree of belt tightening and, also, would boost tax revenues. ...

29.2 April 1941 [DP, QUA].

[Information in the following memorandum came from Herbert J. Symington, electric power controller, Department of Munitions and Supply. J.B. Carswell was director general of the Canadian purchasing organization in the United States. D.B. Carswell was director general of naval shipbuilding, Department of Munitions and Supply, from April 1940 to April 1941. He was also controller, ship repairs and salvage control, from November 1940 to December 1945. On 7 April 1941, H.R. MacMillan was appointed president of Wartime Merchant Shipping Limited, a crown company set up to negotiate contracts for the building of cargo ships and to build and operate the necessary shipyards and plants.]

Howe exceedingly fortunate to have jockeyed MacMillan into the present position. Howe's instincts had been all wrong. He had wanted, most, to fire MacMillan out of hand. Herbie had been called in and apparently he worked very steadily on Howe behind the scenes, drafting his speeches. Why fight the man when, given a little time, MacM would ruin himself? He restrained Howe with great difficulty and the problem, sure enough, worked itself out. MacMillan is now completely at Howe's mercy. Herbie attended the meeting between them when Howe offered MacMillan the presidency of the gov't shipbuilding company-not as Norman Lambert told me the directorship of shipbuilding. He is to be the head of this company and is to work under Carswell. There appear to be two Carswells-one at Washington and the other the director of shipbuilding in Munitions and Supply. Carswell is one of the men MacMillan said should be fired, as incompetent. MacMillan protested at working under Carswell but Howe replied that this was all he had for him and that if he behaved himself and did a good job he would never hear from Carswell. If he didn't do a good job, however, Carswell was the boss and would have to deal with him. MacM didn't give an answer then, but Herbie understands that he has decided to accept the job. ...

30. 1 April 1941 [DP, QUA].

[Information in the following memorandum came from W.A. Mackintosh.

In the spring of 1941, when rapidly growing war expenditures brought Canada closer to full production and full employment, the Free Press editors began discussing inflation with a new urgency. "For the life of me", George Ferguson wrote to Grant Dexter, "I can't see how we are going to avoid inflation. I talked to JWD today about it, saying that it's better to win the damn war by inflation than not at all, and he agreed. But we are out on a limb, having called inflation everything we can think of. I think I said to you when I was in Ottawa that I'd better try my hand at paving the way a little. You try it too, if you think the danger imminent, and we'll keep our heads together." Ferguson paved the way with a memorandum which he showed to Dafoe before sending it to Dexter in Ottawa. "Having received your note", Ferguson wrote, "I wrote the memo. attached and showed it to the Chief who, having read it, remarked with a nice reserve that it was all right 'for a start,' whatever that means. I think it means that if he wants to take a different line when the time comes he will trample all before him. And why not? Anyway it's a basis for discussion. ..."

Ferguson enclosed the following memo: "Is it possible to gauge what the degree of inflation is likely to be? What will be the effect upon price levels and purchasing power? What effect upon life insurance and the like? Can it be controlled, or would the degree of inflation needed to bridge the gap be so great that all controls would become useless and we would go into a wild spiral?

If these facts are obtainable or can be gauged (which I doubt), they should determine our policy. If inflation would not be too serious, I think it would be very difficult for the Free Press to get too tough with the Government if it resorts to inflation. Our general line is to support this Government as the only feasible one for Canada at the present time. Inflation would be a major policy, decided upon for reasons with which we might disagree but one which, presumably, would carry the weight of the Cabinet behind it for the kind of reasons given by Crerar.

The main target is the maintenance of the war effort. Before we go all-out against inflation we must be satisfied that its use will reduce the scale of the effort. I doubt if this can be proved. The writers on the subject all seem to admit that, while inflation is the worst method of war finance, it is a possible method. Hence it follows that we would not be justified in completely denouncing the Government for using it.

This would not debar us from following its development step by step, and pointing out its consequences as they develop, and suggesting alternatives from time to time. We could also publish danger signals and warnings. I think we would be negligent to our principles and our readers if we did not. But the tone of the writing should be kept fairly objective and moderate. We should not indulge in denunciation of the Government. I don't think, for instance, we should go so far in our use of language as we have in our criticisms of the Defence Council, of the Labor Dept. or of the Munitions & Supply Dept.

What is the matter with advocating borrowing from the United States to make up the deficit we cannot, or will not, meet for ourselves. This amount, over a matter of two years, would amount to how much? A billion or a billion and a half? I don't know.

Could you discuss this idea and let us have your views as to whether borrowing on such a scale would, in the final analysis, be worse for Canada than the degree of inflation probably necessary to meet the gap between income and outgo?"

A day or two later Ferguson wrote again to Dexter: "More random thoughts on inflation: are you right in believing that there is a sharp conflict between the views of Towers and Ken Taylor [secretary of the Wartime Prices and Trades Board]? Taylor, you say, says steps have got to be taken to funnel off the increased purchasing power by taxation and loan and that, this having been done, the Board can then fix prices properly and pursue its proper functional place.

It seems to me that, in the absence of compulsion, e.g., either in terrible taxation or compulsory saving schemes, price-fixing plus rationing must come first. So long as there are goods to be bought, the public will buy them. The public will, if it has funds in hand, spend a large proportion of them on goods.

So long as the Govt. does not take the bull by the horns and shoehorn the dough out of people, the only conceivable way of maintaining the price structure and preventing inflation is the most drastic limitations on civilian production of goods, plus price-fixing, plus rationing. Price-fixing without rationing is most inequitable. ...

What we are apparently going to do is to drift into inflation without either (a) adequate attempts to impose taxes or savings or (b) any attempt to impose adequate controls.

It's all very well for Taylor to say that price-fixing won't do it alone. He is right. But, how is he going to stop people buying goods without price-fixing and rationing? Does he say the Govt. must make people save? Well, o.k.-I'm for making them, but

I don't see necessarily that a horse is being put behind the cart. They won't save unless compelled to do so, and when you compel them, you must have rationing. Policies are complementary surely? You can't have one without the other. ..."]

Inflation-not, he [Mackintosh] thought, dangerous but the financial position certainly very difficult. Expenditures $3,000 millions. Present tax structure would yield between $1,100 and $1,250 mil-lions. New taxes probably add another $250 millions. Through war savings, unemployment insurance premiums, annuity premiums and other funds which automatically are invested in government bonds-plus bond issues-probably raise $1,000 millions. This will leave a gap varying up to $700 millions. If we had full employment it would be very dangerous but the earlier forecasts, it is now clear, were wrong. We will have full employment in many seasonal industries this summer, but in the main these are not vital to the war, and a reduction in their output will probably be beneficial on the whole. Chaps are leaving seasonal, temporary work for non-seasonal jobs in industry. There is much slack still to be taken up in employment. Production will still expand a great deal and this will naturally check inflation.

But there is another important consideration. The food surplus-wheat and, potentially, in other farm products-is our greatest insurance against inflation. The fuse which invariably explodes the dynamite in ghastly inflations is food, then shelter and then clothing. We can't

inflate wheat-bread-and we are actually, and nonsensically, raising other farm prices like cheese, butter and bacon by subsidies (partly provincial subsidies). Clothing may well go up but alone it isn't important enough to upset things. Inflation, therefore, will appear first in the less essential products and this is not without benefit in belt tightening and higher tax receipts. The lid will have to be kept on wages etc.

The new estimate of national income is much larger than the earlier one because of three things. Production for Britain will be much greater than anticipated. Soldiers' pay and allowances are now included. This, it is true, is a transfer but has as much business in the calculation as the wages of munitions workers or the carrying charges on the wheat surplus. Also, taxes paid on government purchases are included. He is a bit dubious on this item but sort of said Ah Well. It is a large item-tariff on all materials going into war production on government account.

Many-sided policy needed to prevent inflation damage. Money can be pumped into the system in a variety of ways. When two or three hundred thousand people have been added to payrolls, more currency can be put out, also a good bit of treasury bills to the banks. These new workers will all accumulate a little backlog of savings-collectively demobilizing a large sum of money. This can be replaced without harm. Asked-did he think financial policy should be criticised or cheered? He was very definite it should be constantly criticized-though not too destructively. Criticism would strengthen their hands, help them to pursue strong lines of policy-sort of egg 'em on to higher and better things.

This answers roughly some of the questions in your note of March 31.

31. 8 April 1941 [DP, QUA].

[Information in the following memorandum came from Mackenzie King and Norman Robertson. King cancelled his trip to see Roosevelt because of news of German victories in Libya and the Balkans. On March 30, General Rommel's Afrika Korps overwhelmed the British front in Libya except at Tobruk. Early in April the Germans overran Yugoslavia and invaded Greece; a British force of 62,000, sent to aid the Greeks, was forced to withdraw. Under the terms of the "Destroyer-Bases Deal", an Anglo-American agreement announced on 2 September 1940, the United States transferred fifty overage destroyers to Great Britain in return for six Caribbean sites suitable for naval and air bases, and for the right to build installations in Bermuda and Newfoundland.]

... King gave a press conference this afternoon. He had can-celled his trip south to see Roosevelt on account of the critical news. He felt he would be much more comfortable in mind in Ottawa than outside the country. He will go just as soon as the crisis lifts. He was meeting Roosevelt at Warm Springs but Roosevelt has also delayed his holiday. King said that nothing impossible had occurred nor was there any reason to think that anything but a long campaign confronted the Germans in their drive upon Greece. He left Yugoslavia out.

He then went on to denounce people who advocate a war cabinet. He cited Churchill's recent speech. I didn't like to say anything, but he was laying it on too thick so I did point out that what was being advocated by many people here was precisely what they have in Britain. He made one rather good point. He said that the war committee of the cabinet is really a war cabinet, an executive body on its own. It does not act though the cabinet but acts by itself. King usually reports what the war committee has done to the complete cabinet but this, he said, was not necessary.

He thought [*parliamentary*] under secretaries would be useless, although he was much in favor of the under secretary system. They would come in Canada with the evolution of affairs. But we were different from Britain, lacking trained men capable of taking on such jobs. Sir Robert [Borden], he said, had tried the experiment in the last war unsuccessfully. ...

Dropped in on Norman Robertson to discuss the naval bases agreement. Jenks of the I[*nternational*] L[*abour*] O[*ffice*] had suggested that we had been excluded from these negotiations by the British government and that much hard feeling had resulted. Norman said this was not true. We had been brought in the protocol ratifying the agreement, but had only played the part of an observer in the main negotiations. It was generally agreed now, he said, that this had been a mistake. We are very deeply concerned about what happens in Newfoundland, though not as much in the West Indies. Newfoundland, also, was excluded. He thought this unfortunate and indicated that Newfoundlanders resented it. The reason, no doubt, was that Newfoundland is government by a commission. Our own agreement with Newfoundland for the base we are building has yet to be covered by an agreement. He wasn't sure whether Britain would act for Newfoundland or not.

He was hopeful that the difficulties with Britain re gold payments would ease off as a result of King's speech. He didn't think

the British wanted us to go through the wringer in the U.S. He did say that going through the wringer is a most painful experience. So far the larger part of our repatriation has simply been buying in government securities before they matured. The British didn't mind this. But when you began to clean up private investments and, most of all, to sell direct investments-such as companies-it hurt pretty bad. He remarked that this would be our tough year. We could get British gold after this year, because the U.S. would only clean Britain out now, and not bother about new gold in 1942 etc.

This scrimmage at Washington gets darker and darker. ...

32. 9 April 1941 [DP, QUA].

[Information in the following memorandum came from J.L. Ilsley and W.C. Clark. "Going through the wringer" describes the painful process by which a nation is forced to sell assets-bonds, stocks and other property-which it holds in another country to pay for purchases in that country.]

Discussion with Ilsley and Clark. I thought Clark somewhat under wraps because of Jim's presence.

Ilsley inclined to be fighty and difficult. Didn't think there should be any pre-budget comment until government's policy fully exposed. He added that the average man didn't know anything about inflation anyhow and, if hundreds of millions were borrowed from the banks, only a corporal's guard in the country would understand what it meant. He doubted very much if the businessmen of the country were half as much afraid of inflation as of taxation. I'd be surprised if I knew how many leading businessmen were writing to him to say that our taxation policy was all wrong and that we should ease off taxation and inflate to pay the bills.

My feeling was that Ilsley was just being controversial.

Clark took a different line. He was confident that we could finance our budget. I gathered that he intends to cover our own bud-get first-$1450 millions for war plus $432 millions for domestic needs. In addition he will finance, soundly, as much of the British stuff [*purchases in Canada*] as he can. He said that there was every justification for a measure of what might be called inflation. There was a tremendously increased turn-over in the country and it required an enlargement of the "credit structure." Before condemning this, all the circumstances should be carefully considered.

One should consider the taxation program chiefly in relation to the direct expenditures of the government-that is, the $1,800 millions. If he

raised $1,400 or even $1,300 millions in taxation they would be running behind only $500 millions or so. This could safely be borrowed. But it would be most unfair to compare the tax income with the total commitments, including aid to Britain, and then to say that we are raising less than half our outgo by taxation. We are get-ting some return from Britain either by way of LO.U. or securities or in sterling. You might not call the next budget a sacrifice budget but you would certainly regard it as a responsible budget.

That was about all I could wangle from him on the budget.

Discussion turned to U.S. I asked him if he was satisfied with Morgenthau's statement that Dr Clark had assured the U.S. treasury that Canada was well looked after for American dollars for the balance of this year. He smiled, wrily. "We will get through 1941 some-how because we've got to, and I can't tell you and nobody else can tell you when we will have to go to Washington for assistance." I take it from this, perhaps wrongly, that this means we won't go this year.

Could we get by without borrowing under the lease-lend? Yes, we might cut off more U.S. goods.

He then volunteered that a good deal of education was needed in the U.S. to prove to them that it was not in their own interest to put Canada through the wringer before giving us lease-lend aid. The Canadian gov't couldn't do this educational work and he is afraid that whoever does it the Canadian gov't would be suspected of being back of it. And anyhow he said that nothing could be said along this line for three or four weeks.

Why the time element? "Well we are having our own troubles with the British at Washington. They keep on beefing to the Americans that Canada isn't doing its share in giving them financial assistance and this makes it very difficult." Clark spoke with some heat about the British. I asked him if he liked Morgenthau and he looked at me without answering.

Your guess as to what all this means is as good as mine. I figure that we are trying to cut down imports and Washington is objecting and heading us at lease-lend. And apparently they want us to go through the wringer and so, very definitely, do the British. After all we have put the British through the wringer. I incline to think the point is well taken.

He said a little about compulsory savings. He thought the British should have adopted compulsory savings last year. Their problem was more serious than ours: they are farther advanced toward full

production. If the gov't had any intention of adopting compulsory savings, it would be absolutely essential to say nothing about it until the announcement was made. There would be a run on the banks and a kind of panic. But if we failed to get the required money by voluntary means there would be no alternative to compulsion. He thought the voluntary method was still the better one for us. Presume this means that there will be no compulsory system prior to the next war loan.

33. 9 April 1941 [DP, QUA].
[Information in the following memorandum came from Kenneth Taylor, secretary of the Wartime Prices and Trade Board.]

This was a pretty mixed up conversation.

The brains trust on the budget had met a day or two before and Ken was among those present. The drift as he sensed it is to separate some part or all of the British aid from the budget and to inflate it. This could be done very neatly in this way. He thinks that the Bank of Canada already has been made the agent of the British government for the disposal of Canadian securities held in Britain and for the financing of British purchases in Canada. All the government securities brought back to Canada have been cancelled, wiped out. But he understands that the British government have shipped over a great mass of non-government securities which the Bank of Canada is trying to sell on the market. The sales are very slow. But the Bank could use these securities as a base for credits and could reinforce them with British IOUs.

The part of British aid which could be financed by the Bank of Canada would be determined by the size of the next war loan. Taxation will be jacked up to around $1,300 millions, leaving say $500 millions to cover our own budget. If the government asks for more, it would mean that a part of the British purchases would be covered in this way. I think if you check the figures that you will find that the inflationary sales of treasury bills etc., through the Bank of Canada to date about equal the aid to Britain. This, pretty well, has been the policy so far. ...

Prices, he said, were still well in hand. He would not worry about an increase of 10 points per year. We entered the war at 60 something with 1926 equalling 100. If we emerged at the 1926 level it would do no harm. We are now somewhere in the 80's.

There was also talk that all capital depreciation should be turned over to the treasury for the duration. This would be a big item. He thought the budget still very much in the formative state.

The consensus was that the budget should not be brought down until the war resumed. Bad news would help Ilsley. But I assume that the real reason for the delay is the situation at Washington.

This is not very satisfactory information. Will keep in touch and advise if and when I find any crystallization of opinion.

34.13 April 1941 [DP, QUA].

[Information in the following memorandum came from W.A. Mackintosh.

At the Free Press concern over inflation focussed quickly on the forthcoming federal budget. Rapidly expanding war costs had pushed expenditures above revenues by an amount estimated at between $500 and $700 millions. How was this gap to be closed? According to George Ferguson, who drafted a leading editorial on the subject, it could only be done by a combination of heavier taxation and borrowing, or by inflation. Ruling out inflation as socially disruptive and immoral, Ferguson raised one other possibility-a loan in the U.S.-but failing that, he concluded that Canada should hold to the hard line of pay as you go.

J.W. Dafoe had inferred from Dexter's earlier memoranda that the minister of finance and his senior officials were seeking a middle way between "taxation to the limit" and the "free inflation" which would tide Canada over in 1941. With this possibility in mind Dafoe forwarded a copy of Ferguson's draft editorial to Dexter in Ottawa and raised specific questions for him to explore with the financial experts. Did repatriating Canadian securities supply a legitimate basis for currency and credit expansion, or would its effects be the same as the results of unsecured inflation? Were British IOUs available as a basis for currency and credit expansion without the results being inflationary? Could the financial gap be narrowed if the Canadian government took over Canadian-held securities in the United States and liquidated them against our purchases there? Could Canadians obtain, through lend-lease, some of the supplies which had to be purchased with American dollars? Dafoe concluded that if Canada could get by with these expedients without laying up more trouble in the future, it would be safer than applying British standards of taxation immediately because Canadians had not been "educated up to take it." Nevertheless, when a choice had to be made between very severe taxation or printing money, the Free Press would support taxation.

Mackintosh appears to have overlooked the productive potential of the rapidly expanding female component of the war labour force. Certainly in 1942 war industry began to draw increasingly on women to fill the developing labour shortages, and by 1 October 1944 there were 1,077,000 women in the labour force as com-pared to 638,000 in 1939. (See Ruth Pierson, "Women's Emancipation and the Recruitment of Women into the Canadian Labour Force in World War II," CHA Historical Papers, 1976, p. 165). The Canadian tariff gave a preference to imports from Great Britain. Fred. A McGregor was a Combines Investigation Commissioner and a member of the Wartime Prices and Trade Board.]

The only expert available yesterday was Bill Mackintosh. The budget plans are beginning to crystallize and he was more definite and realistic than in the earlier memo. Being pretty close to all of us, particularly the chief, I discussed with him the leader you sent, in detail, and also the chief's memo. He was able to give definite answers to some of the chief's questions because he is the man who is doing some of this work, and he gave opinions on all.

He thinks the editorial is "too absolute" and he gives reasons which I summarize later on. Personally, I am strongly in favor of the editorial as it stands. ... There is no doubt in my mind and Bill agreed that we will be strengthening the hands of those who want to do the right thing by keeping right on the [*anti-inflationary*] line. The extent to which you would want to criticize an inflationary budget could be decided later on when you have the text before you. Meantime any weakening would have the effect of encouraging timidity. This seems to me an important consideration. ...

Bill says that the budget is shaping up much better than he hoped. I told him of my talk with Ilsley and he said that he had noticed this attitude of surliness, defeatism, pessimism. He explained it in this way.

Ilsley, he says, will do the courageous thing. You may be sure that taxation will be carried down to the low income brackets. "Ilsley is going to do the job. But he expects no thanks, only criticism. He doesn't believe the people or the newspapers know enough to appreciate what he is doing for them. This is the reason for his cynicism." I trust Bill is right.

Chief's memo. ... Do repatriated securities offer a legitimate base for currency or credit expansion [*without producing inflationary results*]?

The answer he says is definitely no. If we had idle resources to produce the goods represented by these securities, we could get away with it. But a re-check of the labor situation has been made and he now believes that we will be close to full production by June. It will still be possible, no doubt, to squeeze more productive labor out of our unemployed, by taking in men not now in industry, but this will be slow going and isn't to be relied upon.

That goes, also, for British LO.U.s.

Question re selling Canadian held securities in the United States. This would certainly help. There is a strong feeling against going through the wringer. The argument against doing so now, he says is a purely business one. These are capital assets: we would be using our

capital. Obviously this should be done only as a last resort. Any business would cut expenditures to the bone before dipping into capital. We should cut our expenditures by reducing imports. Also, our realizable U.S. securities [those for which there is a market] are not more than half of our total holdings. This was not nearly as strong a point as most people thought. Liquidation of direct investments [stocks], as the British had found, was an excruciating business.

Nor is our case re going through the wringer on all fours with Britain's. The British are selling their U.S. holdings to pay for war goods-ordinary purchases. Hitherto we have met our bills in the U.S. We have not, like the British, made commitments against our securities. He was definite in the view that we should consider our U.S. securities only in connection with purchases there: not as a means of raising money to help out at home. He was not aware that anyone here is thinking in terms of cashing in these securities and bringing the money home as an alternative to higher taxation or inflation.

Re nationalist pressure to stop imports. He can speak here with authority, he says, because he is in charge of this work. There has been constant nationalist pressure. Every mail brings letters from chaps saying we could save U.S. dollars if we blocked off this or the other import and let them make it here. But no decision has yet been taken on these grounds. Nationalist influences have had no part in this policy. To prevent or rather weaken the argument of a vested interest after the war, the government cut down imports by special statute which will lapse after the war. And they had had in mind, as well, the reduction in the preference as creating a balancing vested interest. This, too, was done by special statute and for the same reason.

As to the budget, he didn't like dealing with expenditures in too absolute a way. King's estimate of aid to Britain was almost certainly high. We could afford to take some chance on this-to leave a bit of a gap between income and outgo. The experts have just re-checked the figures in Munitions and Supply and it does appear that the great bulk of the total will be in munitions-products of our war industries. But the needs of war keep changing and much would depend, bearing the gap in mind, on the extent to which Britain might take more of certain products like lumber, agricultural products, etc. and less from war industry. We can expand our production of lumber and foodstuffs. There is still a good deal of slack to be taken up in these industries and therefore there would be increased production against which credit could safely be expanded.

The gap could thus be widened without danger.

On the contrary, if Britain takes more war industry products we get the pinch at once. We can expand this production very little with-out diverting labor and plant from consumer goods. Any credit expansion under these circumstances would be absolutely inflationary because there would be a decrease, not an increase, in the volume of consumer goods available to purchasers.

They have tried hard to sift the facts but in his opinion cannot reach any dependable decision on this matter. As stated, he thinks the bulk of British purchases will be of war material. When the experts tackle this problem, he says, they tend to get confused in its intricacies.

Suppose the gap is to be $500 millions. Say $200 millions is a safe gap, by reason of expansion in production, plus failure of Britain to buy the estimated amount. There would be $300 millions of inflation and this would have to be watched and policed by the directors of Munitions and Supply and the Wartime Prices Board.

It is true, he thinks, that agriculture can expand production sufficiently to make an increase in food costs impossible except in very brief periods of time. There is no inflation danger there.

Some industries, by their type of organization, are easily con-trolled and it will be easy to plug these holes. The automobile industry, he says, is going to reduce output radically this spring but, by arrangement with the government, prices will continue unchanged. There are many other industries which can be controlled in this way. But, he says, the loose purchasing power will grope about for an out-let and the government will have to be keenly alert to spot the bulges and plug them by fixed prices. The greater the amount of surplus purchasing power, the harder this job will be. But (here I begin to get really scared by this line of reasoning) if the job is done, the surplus inevitably will go into voluntary saving-bank deposits, certificates or bonds-and all will be well.

It isn’t possible, he says, to be theoretical or academic about this problem. Economists can discuss inflation in terms of black and white: that it happens after full employment is reached etc. But in practice you can never be sure when the theory applies. Actually the lads have to work pretty much in the dark. He is sure, though, that we are pretty well at full employment so far as our heavy industry goes. Otherwise he isn’t so sure but with the exceptions already given he thinks the squeeze begins in June.

He reassured me as I went away that they are going to tax much more heavily than he had hoped and carry it down to the lower incomes. He thinks you will be satisfied. He believes, however, that some gap is justifiable. How much he doesn't say but my guess would be $300 millions. And assuredly he expects nifty footwork and punching from Hector McKinnon, Fred McGregor et al.

35.18 April 1941 [DP, QUA].
[Information in the following memorandum came from Graham Towers.
The editorial page of the Free Press, 15 April 1941, contains an article by Dexter entitled "Budget Problems," which begins: "Canada will need $3,000 millions in round numbers to finance the war and essential national government services in the year which began on April 1."]

He had been reading the page and was distressed by our insistence on a $3,000 million budget and he pointed out that the adverse balance with the United States would not have to be financed by Ilsley. He wouldn't say how much this would be but $40 millions per month is the accepted average and he didn't say it wasn't pretty close to the estimate.

Asked him about going through the wringer as Britain had done. He was very much opposed to our selling our United States securities. He got very much worked up about this he said that the blue book figure of our holdings in the United States were unreal. Much of this stuff was not marketable or worthless. Much of it was in rail-way securities which were selling, if at all, greatly below par value.

If we sold everything we had in the U.S. the proceeds would only carry us a year or less. Why not keep this nest egg against hard times after the war? Right now, the United States had a perfect reason to help us. After the war, if we got into difficulties, these securities would be a guarantee against default.

There was, he said, no reason why we should go through the wringer. It would *hurt like hell*.

I asked him why we were putting the United Kingdom through the wringer. He said we weren't, at least not yet, and he thought we would be wrong to do so. "You've no idea how much this kind of thing hurts." He said that so far we have only taken over Dominion government securities held in Britain. There was nothing wrong in this as this was the settlement, really, of inter-governmental debt. The other securities had not been touched. Some have been shipped over but the sales didn't amount to anything. For his part he would leave these securities unwrung.

He is disturbed re demand for conscription. If anything is done we should conscript labor first, then money and last military.

The budget he said would be courageous and adequate.

36. 21-22 April 1941 [DP, QUA].

[Information in the following memorandum came from Mackenzie King.

On 20 April 1941 at Hyde Park, New York, Prime Minister King and President Roosevelt concluded an agreement under which Canada and the United States undertook to co-ordinate their defence production programs. The United States would, over the next year, purchase between $200 and $300 millions of defence articles from Canada, thus helping Canada preserve diminishing reserves of American dollars and enabling payment of defence purchases in the United States. In addition, with respect to purchases of component parts for use in equipment and munitions that Canada was manufacturing for Britain, it was agreed that Britain would obtain these parts under the Lend-Lease program and forward them to Canada for inclusion in the finished articles. This arrangement helped maintain British purchases in Canada.

King's memory of healing a very bad breach between Roosevelt and Churchill was somewhat faulty. Relations between Roosevelt and Churchill were strained from May 1940 to September 1940. In May Roosevelt began to fear the fall of both France and Britain, and he was worried about the fate of the British navy. The tensions were relaxed in September 1940, when the victory of the RAF in the Battle of Britain put off Germans plans for invasion, and when Churchill's call for American aid-destroyers, aircraft and other arms-met with some response in the conclusion of the destroyers-bases deal. The destroyer-bases deal opened a flow of American aid to Britain, and King did what he could to facilitate the acceptance of the deal. As well, he strongly favoured Roosevelt's proposal of a permanent Canadian-American defensive alliance. Churchill responded very negatively to this proposal at first, for he saw it as removing Canada from the Commonwealth into the American orbit. When, however, he learned how disappointed King was with this response, Churchill made amends through a personal message extolling King's judgment and his role in achieving Anglo-American co-operation. It was this message that King showed to Dexter on 21 April 1941.

J.M. Macdonnell was the general manager of the National Trust Company and Tom Moore was the president of the Trades and Labour Congress of Canada. Senator Arthur Meighen was a former prime minister and leader of the Conservative party. Raoul Dandurand was government leader in the Senate. Lord Kitchener was the British secretary of war from 1914 to 1916. Colonel Sam Hughes was the Canadian minister of militia and defence from 1911 to 1916.]

He kept me for half an hour after the press conference and talked rather freely on a number of topics.

Wanted to know how the chief is. Was very appreciative of the letter he had received at Xmas time and spoke, very feelingly, of the understanding support which the chief had given him.

The war situation very critical. The British government felt in honor bound to support Greece. Just as soon as the Greeks would agree, evacuation would begin to Egypt. Time was of the essence, but nothing could be done without the consent of Athens.

The division of forces in the eastern Mediterranean had enabled Hitler to throw a very strong force across the waist line at Tripoli and the British government expected that Egypt might be lost. This, however, would not mean the loss of the Red Sea or, necessarily of Palestine, and the oil fields, although the latter would be in very great peril.

Turkey had not committed herself one way or the other and Russia was obviously trying to keep the rest of us fighting. He thought, only a personal opinion, that Turkey would cave in. If so the Middle East would probably be indefensible.

Much would depend on how quick the campaign in Greece could be cleaned up and how long the re-organization of the enemy striking forces in Libya could be delayed by guerilla tactics, bombing, etc.
He had had a great time with Roosevelt. Roosevelt had taken King's copy of the announcement, written at the foot of it: "Done by Mackenzie and F.D.R. on a grand Sunday in April, etc. etc."

In dealing with Roosevelt on the balance of payments he had gone about it his own way. He had ignored Towers and Cliff Clark-who had been unable to get anywhere with Morgenthau. He evidenced a mite of vanity here. People were inclined to forget, he remarked, that he is an economist and a much better one, so far as studies, degrees etc. go, than any of the Finance department or Bank of Canada men. He recalled that he had the highest degree in economics that Harvard can give and had, in fact, taught economics at Harvard. He had asked Clark to tell him the kind of arrangement he would most like to get. Clark had written out a formula, far and away beyond his fondest hopes. This was that we should get all the U.S. dollars we need without going through the wringer or incurring a debt.

He had gone to Hyde Park and Roosevelt had suggested they do their negotiating in a motor car with F.D.R. at the wheel, driving around his estate. Only the two of them went-the bodyguard etc., trailing along behind. Roosevelt had said to King that he didn't know much about the exchange situation: that he would like King to tell him about it and outline the policy which Roosevelt should follow. King hadn't bothered about the economics of it. He told Roosevelt that if he

were in his place, he would have regard only for the neighbourly phase of it. What the U.S. and Britain had done was one thing. Canada as the neighbor on this continent, the only one that really mattered, was another proposition entirely. If the U.S. insisted upon taking from Canada what few possessions she had in the U.S. it would only give voice to anti-U.S. sentiment in this country. If we got a loan, the same sort of thing would happen. Why not buy from Canada as much as Canada is buying from the U.S.-just balance the accounts. Roosevelt thought this a swell idea but was very much interested in the possibility of the growth of any critical movement in Canada against the U.S. King told him that there was always this danger and he strongly urged Roosevelt to come to Ottawa and show himself to the Canadian public. Roosevelt was immensely attracted by this idea and took out a little diary book and tentatively fixed two days in the middle of May. ...

I asked him if he liked Roosevelt very much personally. He said, “I certainly do”, and went on to say that Roosevelt has magnificent courage, optimism, a flair for comradeship. The most important contribution he, King, had made, he thought was in healing a very bad breach which had arisen between Roosevelt and Churchill very soon after Churchill took over. These were desperate times in Britain and Churchill had pressed Roosevelt too hard, indicating what he thought the U.S. should do and so on. Roosevelt had thought Churchill much too aggressive and the two had a head-on collision. At this point Willie delved into his breast coat inside pocket and pulled out a wallet with silver clasps. From these he abstracted three cables from Churchill which he half showed and half read to me. I couldn’t see the dates but I would judge all three were dated last year, possibly in the fall after the blitz danger was passed. Nor can I remember the phrasing except that they were typically Churchill, amazingly frank and contrite. In all three Churchill implied, more or less directly, that he regretted earlier slights to King. He had not realized the great abilities of King; how wise and steady his judgment was; how perfect an interpreter and so forth. They are very remarkable despatches which will make a bull point in the autobiography. King said he had smoothed out the difficulties and brought the two together. The greatest difficulty, he said, was to find a formula of action.

He continued by saying how proud he is to have gained the implicit confidence of Roosevelt. Then he seemed to want to prove this statement to me and he edged about wanting to tell me secrets but not having the nerve to do so. Roosevelt, he said, was full of fight and full

of sensational ideas. He had told King his heart about the war and the part he wanted the U.S. to play. He had told him things which he had never told to his own cabinet. Among these secrets, said King, were three developments which Roosevelt had planned in his mind with respect to the Atlantic. They are breath-taking, said King, and let it go at that. I would have guessed, if guessing had been in order-convoys, the seizure of Dakar and the Azores.

He is very firm about the national government drive. He wants very much to come through the war with an alternative government in the Tory party intact. ...

It was not as easy as it sounded, he said, to bring men into the cabinet. He had tried hard last summer. He went over some of the men, McConnell, Macdonnell, and Moore, the labor man. He doubt ed if McConnell would have brought much strength to the ministry. He spoke very highly of him however. Jim Macdonnell, after thinking things over, had declined although had offered to do special jobs. Moore had refused and I thought King blamed him for doing so.

New men would have to be more than big names. They must bring more ability than they displaced and political strength was essential: they must be able to get elected.

There is nothing in the Conservative party worth having, he said. He spoke particularly of Meighen, who he said had done harm every time he had the chance.

The advantages to the nation of coming through without a national government were so great that he expected the country generally to realize it.

I feel quite certain that although King is aware of the attacks being made on the government on other grounds, he does not think there is any real potency in this national government cry. He does not take it seriously.

He was familiar with our editorials on the need for a war cabinet. He didn't care much what the Gazette and the Globe and Mail said. He does not think they have much influence, but the Free Press is different. He had not really understood what we were driving at until the last press conference when (you will recall) we had some words. He had put down all advocacy of a war cabinet to the national government crowd. He now saw that we meant a war cabinet on the present basis and this, he said, is actually what we have in the war committee of cabinet. He had made a mistake in choosing this title: should have called it a war cabinet.

He agreed that it is impossible to handle the business in full cabinet. The war committee includes the service ministers, Ilsley, Gardiner, Howe, Dandurand when here, himself and T.A. and Lapointe.

This committee originates business and makes decisions, lots of them. He read some of the minutes to the press conference, and he showed me the book afterwards. It is quite true that the committee makes the final decisions, on policy, troop movements, etc.

Three of them (ignoring Dandurand) he said are fairly free of detailed war administration-Lapointe, T.A. and himself. He could have loaded Lapointe and T.A. with more detailed duties, but he regarded them as his chief advisers-the jury-and they functioned much as ministers without portfolio. T.A.'s advice on broad policy and, in particular, on western problems, was first-rate. Lapointe passed upon all general policy, and in particular, on matters affecting Quebec. He spoke at some length about Mr. Crerar and although he was no doubt talking for the chief's benefit, I was surprised at his judgment. T.A. is a first-rate adviser and King undoubtedly relies upon him. There was no mention of Gardiner.

He regards it as little short of a miracle that we have come through this war so well. Contrary to Tory propaganda, King did not leave Canada in the last war except for brief trips to the U.S. in connection with his labor work. He was here throughout and kept closely in touch with affairs. He was very frequently consulted by Laurier, he said.

He held up his left hand and ticked his points off on his fingers:

1. We had gone into the war united and had continued united. Was that worthwhile?

2. There had not been a hard word between the British and Canadian governments. Some difference of opinion had arisen between individual ministers and their opposite numbers in London but nothing serious. In the last war, the two governments disagreed violently and not always privately. This statement surprised me. He did not particularize and I didn't question.

3. Our defence department was co-operating perfectly with the War Office. Last time Kitchener and Sam Hughes were like a dog and a cat-quarrels going on continuously.

4. We had no family rows in Canada House such as occurred last time. I presume he referred to the trouble re the High Commissioner and the Minister overseas and the bust-up which ended in Sam Hughes being kicked out.

5. Our war effort was much greater, proportionately, than last time. I suggested this fact wasn't widely known and he was inclined to think this just as well. There might have been trouble if the country had known how vast were our war commitments. But he thought this should be corrected now. He favors publicity.

He seemed, I said, a little pessimistic re Mediterranean. Not at all, he answered. Nothing that can happen in the Mediterranean will decide the war. The battle of the Atlantic is the vital one.

The eastern Mediterranean situation was tragic. If Turkey had been prepared to stand by Yugoslavia and Greece, a real front could have been created. Eden tried very hard to persuade Turkey and Yugoslavia but had failed. Nevertheless, Britain was in honor bound to aid Greece, however unwise it might be.

37. 22 April 1941 [DP, QUA].

[Information in the following memorandum came from Victor Sifton, T.A. Crerar, and Senator Norman Lambert. Hugh D. Scully was steel controller, Department of Munitions and Supply, and chairman of the Wartime Industries Control Board.]

Lunch Tuesday with Victor and T.A. T.A. said Ilsley hasn't taken the budget to cabinet and the lads only know what has been discussed informally. He is sure the national defence tax is to be raised though unsure if the compulsory savings line will be pursued. He has put in a very strong recommendation along E.J. Tarr's line and seemed very optimistic. He said that consumption of gasoline by private cars has gone up to 850 million gallons per year, an increase over 1939 of about 100 million gallons. Clearly a tax was called for. He is suggesting 5 cents per gallon which would net $35 millions, allowing for decreased consumption.

The general view is that a board paralleling the Joint Defence Board, on the economic side, will have to be set up to carry out the King-Roosevelt agreement. Norman Lambert would love to get on it. Victor pointed out that the rationalization of the industries of the two countries is an immense task. There are simply countless articles we can make for them and when you get down to parts of equipment it is very complicated. Gas masks, for example, are in full production here, and the United States hasn't begun. They will need millions. ...

Once we integrate our industries, in V's judgment, it will be impossible to unscramble them. Considerations of security, of efficiency and so on must make continuation imperative. Won't this react directly

upon tariffs? Isn't this a step towards economic unification? and so on.

Talk with Norman L. later in afternoon. Does King's new stroke [Hyde Park Agreement] offset the rising storm of criticism? He thinks it does to some extent. More so, if he gets Roosevelt here. He is simply delighted with Willie. It is amusing to hear him explain that he simply can't stand the worm at close quarters-bad breath, a fetid, unhealthy, sinister atmosphere, like being close to some filthy object. But get off a piece and he looks better and better. He thinks he will make a speech eulogizing Willie in the Senate.

Some internal dissension in cabinet, Norman says. Growing tendency by some ministers - notably Howe - to belittle British, to harp on their stupidity, their blundering. Ralston, too, inclined to take a whack at them now and again and King not always flattering. This is very unpleasant to Ilsley and some others who are ardent Imperialists and anti U.S. He had met some of the Brain trust - Hugh Scully for one - and found them thunderstruck by the King-Roosevelt deal, terrible news.

He says Towers is an Imperialist and anti-Yank. I don't know if this is true. I always fancied him lacking in emotion of any kind.

CHAPTER III

INFLATION AND CONSCRIPTION, APRIL 1941 TO DECEMBER 1941

In Dexter's memoranda from the spring of 1941 to the end of the year, two problems dominate: inflation and conscription. The inflation danger came quickly to a head and was promptly resolved; the conscription issue persisted and produced a cabinet crisis in 1942.

By the second summer of the war Canada was in the midst of an economic boom. In 1939 war contracts placed in Canada represented a bare $60 million, but they leaped to $1.17 billion in 1941. Factories and shipyards sprang into existence, national income soared and unemployment all but completely vanished. Rising personal incomes, combined with a large shift of production to war purposes, began to drive up prices. But the cost of living, already up by 4 per cent in 1940, shot upward by 7 per cent in the first nine months of 1941. Inflation clearly threatened. Indeed, K.W. Taylor, the secretary of the Wartime Prices and Trade Board, told Grant Dexter at the beginning of July that it had already begun and would accelerate rapidly unless the Board was given direct control over prices and wages. Dexter learned that Clifford Clark, the deputy minister of finance, was also aware of the danger.

As to how far direct controls should go, government advisers differed. The Prices Board and its chairman, Hector McKinnon, favoured piecemeal controls over selected prices and wages, and Dexter reported on McKinnon's position sympathetically. On the other hand, Clifford Clark and Graham Towers, the Governor of the Bank of Canada, insisted that nothing less than a total freeze on all prices and wages would halt the inflationary spiral. Clark and Towers won over J.L. Ilsley, the minister of finance, and in August he persuaded his cabinet colleagues to transfer the Prices Board from the Department of Labour to the Department of Finance; he subsequently presented to the cabinet a scheme for a complete price ceiling. The cabinet came to a

decision on the issue in October after a series of meetings, on which Dexter reported anxiously and in great detail. He was himself an opponent of inflation-”we must resist it for all we are worth”, he declared in a letter to the more pragmatic G.V Ferguson. And yet a complete price freeze seemed extreme, particularly to a Liberal whose beliefs were formed in the nineteenth century.

Perhaps Dexter’s own misgivings explain why he reported King’s opposition to wages and price controls with such sympathy. King feared that so sudden and so comprehensive an intrusion into the market would provoke a storm of protest. In the long run he yielded; he also secured the reluctant assent of the trade union leaders for a policy of wage stabilization to accompany the price ceiling. And he did what others could not-he persuaded Graham Towers to release Donald Gordon, the deputy governor of the Bank of Canada, so he could become the new chairman of the Prices Board.

The price ceiling policy was announced on 18 October 1941. Under Gordon’s direction it won public support and accomplished its purpose: between 1 October 1941 and 1 April 1945 the cost of living rose by only 2.8 per cent. It is worth noting that the imposition of the price ceiling was accompanied by gloomy predictions of disaster by Dexter: “practical difficulties growing greater and political difficulties emerging on scale likely to chill stoutest heart”, he reported on 19 November 1941, adding for good measure, “many little men ... are going to be hurt.” He was largely wrong, and the success of the policy enhanced the prestige of its principal sponsors, the Bank of Canada and the Department of Finance.

No such happy outcome attended the conscription issue. Since the Canadian army had not seen action in Europe during the last six months of 1941, it may well be wondered why conscription dominated Dexter’s memoranda to the degree that it did. The reason lay partly in the past: there was a widespread determination not to repeat the crisis of 1917-18, and nowhere was this more true than in the Liberal party. Conscription for service within Canada and its territorial waters had been enacted in the summer of 1940, but conscription for overseas service remained anathema to Liberal leaders. In 1939 and 1940, Mackenzie King and Ernest Lapointe had pledged repeatedly never to introduce it, as had the leaders of the other national parties in the federal election of 1940.

The issue of conscription for overseas service loomed large as an issue because the war was going very badly for the Allied powers.

From the spring of 1941 military disasters came thick and fast. In March, the Afrika Korps under General Rommel drove the British out of Libya and back into Egypt. In April, the Germans overran Yugoslavia and descended into Greece, expelling the British and bringing the Greeks to the point of surrender. These blows threatened Egypt, the Suez Canal and the Middle East. Worse followed: in June, Germany invaded the Soviet Union, and although this postponed the invasion of Great Britain and secured a new ally, the Germans advanced so far and so quickly that it seemed as if they would defeat the Russians as easily as they had the French. On the Atlantic, German submarines successfully attacked numerous Allied ships, sinking vast amounts of cargo-700,000 tons in April alone. Under these dismal circumstances, it was not surprising that many Canadians began to press for a stronger war effort and for a larger overseas army.

Conscription was seen by its supporters as the best way to raise an army and to maintain it. In the spring of 1941 an agitation for conscription began in the press-in Montreal, Toronto and several western cities-and the leadership of Mackenzie King came under attack. His opposition to conscription was interpreted as a sign of his lukewarm support of the war effort. Dexter's memoranda indicate, however, that a different situation existed in Winnipeg. The Free Press editors, though strong supporters of the war effort, were agreed that conscription was to be avoided if at all possible. This did not look easy. As Dexter noted in his memorandum of 12 June 1941, "there seems to be a kind of fatalism about the thing-as if we were doomed to face this issue and could do nothing to avoid it." It was not characteristic of the Free Press to lie down and let events hap-pen, however, and in October Ferguson wrote to Dexter:

> We are thinking of talking out pretty frankly abt. the people who are advocating conscription without any apparent sense of the disaster that might result to the war effort as a whole if it is sharply raised as an issue. The Chief says he is entitled to do this, because he led the parade in 1917 and looking back at it sees that it did not increase the effort and bedevilled our political situation for 20 odd years.[1]

The Free Press editors were eager to head off the prospect of conscription in one other way: they opposed plans for a "big" army. Victor Sifton, publisher of the Free Press and master general of the ordnance, spoke excitedly in June to Dexter "of a plot to double the size of the army." And indeed in the summer of 1941, the general staff was in the process of forming plans for a somewhat larger army - six

overseas divisions rather than the four that had been authorized. In the long run the general staff had to settle for an over-seas army of five divisions. As compared to the 35 divisions of the British army, or to the 89 divisions that the Americans eventually produced, the five divisions sent overseas by Canada might seem insignificant. However, the number of divisions does not tell the whole story. A problem shared by Canadian, British, and American armies in the second World War was that there was an increase in the growth of the supporting corps disproportionate to the growth of the fighting corps: "the tail kept growing vastly, the teeth little".[2] And the Canadians suffered the most severely from this problem: one division required an average of 93,150 soldiers, whereas the Americans managed it with 71,000 and the British with 84,300.[3] To field five divisions required a surprisingly large Canadian army - 465,750 by November 1944.

Victor Sifton was aware of this huge growth in army support services, and he shared his anxieties with Dexter who in turn report-ed back to Winnipeg in June, "he can't make Ralston see that the gang are putting it over him by increasing the establishment surreptitiously." And in November, T.A. Crerar "suspects that in our 'ancillary' detachments we already have a much larger skeleton army than there are divisions. There are probably enough ancillary units to handle a six-division army in Britain." To a considerable degree they were both right. Political as well as military considerations helped produce an army big in numbers and small in fighting power.

At the beginning of October in a letter to the minister of defence, J.L. Ralston, Sifton proposed to avoid conscription by analysing manpower requirements of the armed services, as well as munitions and other essential wartime needs, before setting realistic goals. He urged that NRMA [*National Resources Mobilization Act*] trainees be called up in large numbers to meet army needs, and that persuasion should be used to secure volunteers for overseas service from this group. His expectations may have been too sanguine. Of the 154,000 enrolled under NRMA between 1941 and 1944, 50,000 trainees transferred to the active army and about 6,000 trainees went into the navy and air force. In addition, a great many young men apparently did not report as conscripts when they received their NRMA callup, but instead volunteered at once for overseas service.[4] This tendency was perhaps unobserved at the time, and what struck Ralston when he was confronted with Sifton's proposal to call up additional trainees, was that the army might be stuck with them. He said to Dexter, "it would be

a sad waste of manpower, at this time, to have thousands of young fit men in uniform bumming around the country and a scarcity of industrial labor."

Failure to analyse seriously the supply of Canadian manpower and to assess how it should be distributed among the armed services, wartime industry, agriculture and essential services, left government officials operating by guesswork and gut instinct. It is true that the Walker-Robinson manpower report that was presented to cabinet in early December concluded that there were 609,000 Canadians available for military service, but critics like T.A. Crerar pointed out that the needs of the armed services had been predominant in the minds of the members of the committee. Nevertheless Victor Sifton used the data from this perhaps defective report to argue that 200,000 would have to be reserved for the navy and air force. These recruits, he reasoned in his discussion with Ralston, could not be expected to come in large numbers from Quebec, because of the air force's requirement of senior matriculation. Of the remaining 400,000, 209,000 were in Quebec, and this meant that the army would have to absorb English and French Canadians in approximately equal numbers. Dexter later reported that Ralston felt that it would be impossible for the army to absorb so many French Canadians. He "said that conscription was necessary to get more men from the English-speaking provinces." In mid-December the cabinet commissioned a new manpower report, with Sandy Skelton in effective charge of the work, and Dexter reported cheerfully that he "greatly distrusts the military people in all areas."

The year drew to a close with conscription as a menacing and unsettled question, dividing the country and its politicians. Prime Minister King's strong opposition to conscription was weakened subtly by the death in November of Ernest Lapointe, his chief French Canadian partner for over twenty years. Louis St. Laurent, a leading lawyer from Quebec, was quickly chosen to succeed Lapointe as minister of justice, but Lapointe's death left a gap that could not easily be filled. At the beginning of December, the general staff's military program for 1942 provided a focus for conscriptionists within the cabinet. It called for an overseas army of two corps, one to consist of three infantry divisions and two tank brigades, and the other to be made up of two armoured divisions. The whole pro-gram required 104,000 additional men. Although General Kenneth Stuart, chief of the general staff, felt sure that the enlarged army could be raised and maintained without conscription, doubt remained. Ralston would give no such

assurance, and he along with Angus L. Macdonald, the minister of naval services, and J.L. Ilsley, pledged support for the army program even if it necessitated conscription. Conscriptionists outside the Liberal party were strengthened when Arthur Meighen resigned from the Senate in November to lead the Conservative party once again. He called for a coalition government and conscription. In December the Manitoba legislature unanimously adopted a resolution calling for conscription and an all-out war effort.

When the Japanese attacked Pearl Harbor on December 7, Mackenzie King was inclined to see war in the Pacific as providing some respite from the conscription question; surely the army would have to defend British Columbia, thus moderating the planned expansion of the European forces. But the general staff, as Dexter reported, were absolutely convinced that no attack threatened the Pacific Coast. Ralston stood with his general staff in defence of the proposed army program of 1942.

As Dexter noted in his memorandum of 22 December, Mackenzie King began "to shift his ground against Ralston." In order to avoid a cabinet split, the prime minister agreed to the army program. At the same time, he began to consider holding a plebiscite in which the government would request the electorate to release it from the pledges it had given against extending conscription to over-seas service. In this way the attacks of the conscriptionists might be blunted and cabinet unity maintained. The plebiscite was strongly opposed by the ailing P J.A. Cardin, minister of public works and of transport, and by the aged Raoul Dandurand, government leader in the Senate. They feared that a plebiscite on conscription would look like a step towards it and would promote extreme nationalism in Quebec. There the matter rested until the new year.

References

1 G.V. Ferguson to Dexter, 13 October 1941, DP, QUA.

2 E.L.M. Burns, *Manpower in the Canadian Army*, 1939-1945 (Toronto: Clarke, Irwin & Company Limited, 1956.), p. 6.

3 *Ibid*., p. 14.

4 *Ibid*., pp. 119-120.

MEMORANDA

1. 29 April 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Donald McKenzie, the vice-president of the United Grain Growers who became chief commissioner of the Board of Grain Commissioners on 22 October 1941. F.P. Varcoe was the deputy minister of justice. Errick Willis was minister of public works in Manitoba, in the coalition government of Premier Bracken. R.A. Finlayson was a Winnipeg lawyer who had been a private secretary to Prime Minister R.B. Bennett.]

By and large, Mr. Crerar was well pleased with the budget. The most important point he thinks is the adoption via the rear entrance of the Sirois report. This deal is open to any province and the weaker ones-and B.C.-will accept it. They can make their choice re debt coverage or replacement of lost revenues and can get special allowances to boot. This should fix Manitoba up and place Mitch in a very difficult position. The second good point is that taxation is realistic and courageous.

The bad points, he thinks, are the lack of compulsory savings and the failure to sweep the board on the British tariff. He did his best on both but to his surprise he got no support in cabinet for compulsory savings. Ilsley resisted on the ground that the National Defence tax is popularly underrated. People think it was 2 % and is now 5 per cent. But this is the rate on married folk. The rate on single people was 3 per cent and is now 7 per cent, and there are tens and tens of thousands of single people who pay it. As it stands Ilsley fears the war savings campaign will flop.

Lapointe blocked the free-trade-with-Britain move on the same ground as before-give no disaffected person in Quebec a handle to beat you with. Don't rock the boat.

The British, as Ilsley pointed out later, hadn't asked for a cut on woollens or boots and shoes. Weisman, the trade commissioner, who is very very grateful to us for our campaign-says that is perfectly true. The British understand that such a request might be embarrassing here and they do not desire to make trouble when, in fact, Canada is finding the money to pay the adverse balance anyhow.

Donald McKenzie here re making the [*wheat*] pools pay corporation income tax. This matter sent to Justice department where a preliminary ruling against the pools has been given by Varcoe. The department then heard the argument from pool lawyers, chiefly Bob Milliken, and the final opinion is due tomorrow morning. Milliken thought that he had reversed the opinion, but O.M. Biggar, the lawyer

for the line [*elevator*] companies, thinks not. Donald asked by Jim MacKinnon to recommend a chairman for the Board of Grain Commissioners. Ramsay has had two serious heart attacks and can-not carry on.

Donald went to see Jimmie Gardiner re pools but Jimmie very full of a proposition to get Bracken out of the Manitoba premiership. He said he had talked this over with T.A. and they were agreed. I think T.A. would favor a change if Donald succeeded [*Bracken*]: would want to have some idea of who would take over.

Donald worked for the Liberals in the recent [*Manitoba*] election and was amusing on the way in which the co-operative government functioned. Willis apparently set Rod Finlayson up as the public works gate. All contractors had to pay 5 per cent to Rod and Rod accumulated $10,000 which was used exclusively for Tory candidates. Now Willis has a scheme of cabinet organization in mind which would further advance Tory interests. He wants the attorney general's department and the municipal commissionership.

Jimmie thought the time had come to do something for Bracken. He had been agreeably surprised by a kindly reference to himself by Bracken at a meeting at McCreary, near Dauphin. In fact he had the clipping in his wallet. Jimmie had heard that Bracken would like to be set up in a good job for life, preferably a job in which he could tackle the fundamental problems of the prairies. Jimmie is ready to create either a special research body or a western division of the National [*Research*] Council with Bracken at its head, Bracken to be paid $10,000 per year as long as he lives to find new outlets for prairie agriculture. Donald is to go back and open negotiations and from past conversations with Bracken he thinks Bracken will be interested. No doubt Bracken will stipulate for all kinds of safe-guards, etc., but Donald thinks he will accept.

Donald says there is a real job in this field and nobody is really doing it. He says that plant breeders could easily improve on our prairie flax. Indeed orders for such flax as we grow in Manitoba came in from the U.S. last fall. And someone has orders for $8 millions of it this year. An old lad in Montreal has made great headway on distilling power [*pure?*] alcohol from wheat, and so on.

Bracken is not hampered by any sense of what is an efficient economic industry, and I began to view with alarm.

Donald went over all possible successors to Bracken and ruled them out. He said he wouldn't take it on. But I think he would.

2. 7 May 1941 [DP, QUA].

[Information in the following memorandum came from Victor Sifton. The follow-ing memo is addressed directly to G.V. Ferguson, who had written the leader of 5 May 1941, entitled "Stop Fighting the Last War". He argued that, although con-scription might be needed eventually, the time had not arrived. A modern army had to be equipped and the need of the moment was to step up production of arms and ammunition. The Rideau Club was a meeting place for eminent members of Ottawa society; including leading politicians and senior civil servants.]

... I thought your leader on conscription was absolutely on the nose. It was first-rate and timed to perfection. There has been much talk here of an impending crisis on conscription. Agitation continues in the ultra-loyal Tory areas and beats in on the Rideau Club. Sometimes one wonders how real the peril is. Alex Johnston (Ah Well) believes that conscription will come within one year or the government will be thrown out. Grattan thinks that a state of crisis now exists. My own view is that it is wrong to think of conscription sheerly in terms of Quebec versus the rest of the country. I recall what Manion said about the last election-that fear of conscription beat him everywhere. I wonder if conscription could be carried today in the English-speaking provinces. A great many would vote against. Certainly, if the necessary recruits can be obtained, I do not see how a political crisis can arise. It could only come through pub-lic opinion operating on Liberal members and I find no evidence of public opinion being active in this regard.

Victor thinks that if there is to be a crisis, it is still a long way off. Meantime Victor has been getting his way with the military council and Ralston, and I am inclined to think he may have solved the problem, at least for the present, single-handed.

Victor has always had the idea that [*NRMA*] trainees and active service men should be thoroughly mixed up in training. He argued for this for all he was worth a year ago when he came here, but didn't have the influence then he has now.

When Ralston decided to use trainees for home defence, Victor got his chance. There are 29,000 of these active service lads who will now be used to fill up the establishment of the army. The new recruits for active service will be largely re-inforcements and they can be trained along with the trainees. When the time comes, there-fore, the trainee will have to decide that he will leave his pals and stay home; he will have to contract out of the active army. If, in the result, most of these trainees volunteer for active service, Ralston can call more trainees as the need arises and be fairly certain that he will bag say 75 per cent of

them for the active service force. In this way conscription can be pushed back a long way.

Victor tells me he had no real trouble with H.D.G. Crerar who seemed agreeable to doing anything V wanted. Sam Browne saw the idea and backed Victor up like everything. The opposition was Schmidlin who declared that to mix the two classes of men would complicate book-keeping and cause endless bother. He was against, but he was overruled.

3.13 May 1941 [DP, QUA].

[Information in the following memorandum came from Sandy Skelton.]

Talked this morning with Sandy Skelton. While many of the benefits of the Sirois report have been gained by the budget it is, in his view, a poor second-best. What it amounts to is buying out the "sons-of-bitches." The Dominion has left the provinces in posses-sion of the revenues derived from the taxes which should have been transferred to Ottawa and as a result the inequalities as between the provinces have been largely frozen.

There has been a degree of misunderstanding as to what the budget involves. Nova Scotia and New Brunswick came to Ottawa [*to the Dominion-Provincial Conference in January 1941*] eager to co operate and dead certain that they would get a fiscal-needs grant on the scale recommended in the [*Rowell-Sirois*] report. Ilsley told them that if they so desired they should have supported the report last January. Instead of doing that they had stressed the points they didn't like. The provincial premiers were very sorry. They said that they had come to Ottawa absolutely certain that the report would be adopted and therefore they talked more for the folks back home and in the hope that they might better their position. They felt sure of what the report offered and thought that by a little grousing they might improve upon it. Ilsley said that unfortunately there was no chance of giving them the grants as outlined in the report. The provinces had had to be bought out and the price had been high. The grants which would be paid would not be upon the basis of main-taining a minimum standard of government but on absolute fiscal need-just enough to enable the provinces to get by. Instead of get-ting cake they will get only crumbs.

Mitch, he says, will fight to the finish. All the provinces, I gather, except Ontario have come in. He thinks Mitch will put up a

counter-proposal. He will decline to surrender the taxes but will agree to hand over to Ottawa all revenue received henceforth in excess of the revenue in the last fiscal year. He is assured, of course, of a sizable surplus and would use part of this surplus to remove the provincial income tax from the lower brackets. He would keep the tax on corporations and the higher incomes and would probably couple this revenue with bonuses to agriculture. Sandy thinks Mitch could get away with such a policy politically.

Generally on the financial position, he said, he and his lads have been working very hard on taxation and income problems. He thinks full employment will be reached by the fall. The budget taxation will not prevent inflation though it will probably keep it in check until September or October. We must have compulsory savings and he hopes there will be an interim budget along this line early in the fall. He does not believe the war loan will succeed: that is, he does not believe they can get all the money out of bona fide savings. They will get the money one way or another but chances are a good part of it will be put up by the banks and will be inflationary. The banks will hope to work off their excess of purchases later on, but will hardly succeed. Objects strenuously to the torch of liberty stunt and was extremely profane about bringing in preachers to generate war enthusiasm.

He realizes that not nearly enough work is being done on the manpower side of the war effort. Nobody really making a study of it.

4. 20 May 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Walter Lippmann, prominent American political columnist and commentator. The Vichy business that Dexter refers to possiby concerns the growing rapprochement between the Vichy government and Germany which was marked by the May Protocols in 1941 allowing Germany military facilities in Syria and in France's North African possessions. That military facilities might be given to the Germans in the French West Indies may have seemed a real possibility and a danger to the United States.]

... General conversation. He is worried chiefly about conscrip-tion. He had a talk to King about it but did not think that the P.M. was alive to the danger in the situation. Ralston's recruiting cam paign is going badly. He has also talked to Lapointe and he says that there is no doubt that Lapointe and all his Quebec colleagues would resign on this issue. Of this he has absolutely no doubt. He is turning over in his mind the possibility of a plebiscite.

The great difficulty is that our troops are not in action. Casualties would solve the immediate recruiting problem: however, they might hasten a manpower crisis later on. I rather gathered that we have suggested to London that it might be a good thing to let our boys get into action. The British government, however, is very firm in its decision to keep the Canadian corps in England as the spear-head of defence. At the same time, said T.A., it is not expected that there will be any fighting in the west this summer. The battles of 1941 will be in the Middle East and therefore the prospect is that our boys will have to mark time for another year.

King was inclined to ascribe a good part of the unrest in the country, the lack of morale, to the failure of the War Services department. Gardiner, said King, had not got the touch or the ideas for this work. He had not succeeded and showed little sign of being able to succeed. King did not say, however, that he intended to remove Gardiner. I recall King talking this way in an earlier memo, some time last winter. His mind apparently continues to work along this line.

T.A. suggested to him that the War Services department should be split up. The calling up of trainees, etc., should go to the Defence department. Supervision of war charities should go back to the State department. Public information and the Film board and the Radio should be tied together in one public relations department. I think T.A. would be prepared to take a whirl at this-not, perhaps, that he feels able himself to do it-but I think he does believe that he could find people who could do it and give them their chance.

He is terribly disappointed in the Commons which he thinks has hit a new low.

The cabinet delighted with the progress being made under the Hyde Park agreement. We have $500 millions of orders from Washington in the bag if we have the plant and labor to do the work. T.A. says that our exchange problem has been solved.

Spent most of the morning ferrying Mr. Lippmann around-a rare privilege. He talked away about Roosevelt and what he will do. Feels certain that the vital decision has been taken and that it is now only a matter of technique. He doesn't think that Roosevelt is delaying action because of any opposition within the U.S. His information is that Roosevelt wants to edge into the war in such a way as not to embarrass Japan. It is barely possible that, if a too brutal technique were followed, Japan would be backed into u corner and would have to fight. On the other hand, if suitable face-saving devices are devised, Japan almost certainly will keep out. The U.S. fleet is being mobilized in the Pacific

in such a way as to exert the greatest possible effect on Japan - scare them. And on the Atlantic side, Roosevelt is magnifying the Vichy business in order to move toward war on this ground rather than on ground related to Germany. Doubts an assault on Dakar because he thinks Washington has learned that it has been very strongly reinforced. Expects Washington to grab France's Atlantic possessions and the Azores and also, perhaps, to put a strong containing force in Freetown.

We are seeing more of him tomorrow.

5. 30 May 1941 [DP, QUA].

[Information in the following memorandum came from Herbert J. Symington and T.A. Crerar. Joseph T. Thorson was Liberal MP for Selkirk, Manitoba. Brooke Claxton was Liberal MP for St. Lawrence-St. George, Quebec; Douglas Abbott was Liberal MP for Westmount, Quebec. Edward J. Stettinius Jr. was the American undersecretary of state. Sir Edward Beatty was president of the CPR when C.D. Howe became minister of railways in 1935. For a brief account of their relations see Robert Bothwell and William Kilbourn, C.D. Howe (Toronto: McClelland and Stewart, 1979), pp. 99-113.]

His outfit mustn't be confused with the work being done by Eddie Taylor and his associates at Washington. Eddie Taylor was selling Washington manufactured articles, completely made goods-like guns, explosives, clothing, ammunition etc.

Herbie's body was concerned with raw materials only. He was chairman when they met in Canada and Stettinius is chairman when they meet in Washington. It won't take long to clean up their work as they are dealing in bulk goods.

The first meeting was at Montreal and Bill Mackintosh had drawn up a memo pointing out the need for U.S. exchange and giv-ing full details of amounts etc. Herbie began proceedings by reading this memo to the board. This, he then said, is what we need in the way of U.S. dollars and our job is to find ways whereby you can spend this money in Canada. They then went over aluminum, nickel, zinc, lead, chemicals etc. The difficulty was and has been that the U.S. chaps were not sure what they needed or how much. They first bought $65 millions of aluminum and then came right back and wanted this amount doubled-$130 millions in all. Deliveries are to extend over two years. To help along they handed over a cheque for $28 millions as a progress payment.

The whole front of Hyde Park dealing was discussed between Herbie and Howe yesterday. The thing is shaping up so that with our gold production we will not need to worry about U.S. dollars.

There are all kinds of sidelines, Herbie says, which are very enticing. For example, the U.S. lacks enough lake shipping to move the required tonnage of iron ore down the lakes. The surplus tonnage is around 3,600,000 tons and they asked if Canadian bottoms could carry this ore. This would mean withdrawing quite a few of our ships from the grain trade, but our railways could take more of the wheat and release shipping without injury to anybody. ... Herbie closed on this iron ore haul at once but the maritime union of the U.S. promptly objected, claiming our ships are under-manned and pay wretched wages. Our ships can't carry the regulation crew pro-vided for by U.S. regulations because they haven't got the accom-modation. He doesn't know where this matter stands now but Stett 7r and his colleague on the board are going to town with Roosevelt and he thinks the scheme will come off.

H.R. MacMillan continuing to get into serious trouble. The bossiest man. MacMillan without authority undertook to give go-ahead authority to shipbuilders all over the country on contracts run ning into 1943 and 1944. Also, undertook to compel Vickers to clean out their plant of all work other than shipbuilding. Howe rapped him severely, compelling him to write to all shipyards cancelling his go-ahead letter, and informing Vickers (with MacMillan's knowledge) that they need not pay any heed to his orders. Vickers are doing air-plane and other construction work.

Herbie is considerably aroused over the allotment of gov't busi-ness to the railways. The [*Canadian*] National, he says, has around 63% of the mileage, of the territory. R.B. Bennett by order-in-coun cil decreed a 50-50 split in government business. There is no justifi-cation for such a division. The division should be upon territory. This division grossly favors the C.P.R. But more than that, the C.P.R. lobbyists here have managed to wangle all the best business in their share. A hell of a lot depends, says H., what kind of business you get. If you get business in central Canada, you will make 40 cents profit on every dollar of it. If they hand you business in the mar-itimes, along the Intercolonial, you will be lucky if you make 20 cents on the dollar. What the government does is to hand all the juicy business to the C.P.R. and the bare bones to the National. Howe would do the right thing if only as a means of paying off old scores on Beatty, but the C.P.R. is strongly entrenched. Ralston favors them and there is good business out of the Defence depart-ment.

Talked with T.A. this morning. King furious with Gardiner for announcing that he was through with War Services before Willie had

time to dope things out. As a result, there has been a cabinet crisis business in the country, while King has not had the time to get his plans in shape. He is all tied up now on his radio broadcast for Sunday night. He hasn't been at cabinet for two days on this account. He is broadcasting along with Churchill and he means to put his niftiest foot forward. King apparently had some notion of giving War Services to Joe Thorson-which came as a pretty stiff shock to T.A. T.A. figures that King was calculating on giving the cabinet a stronger anti-conscription slant. Joe would do that. As between Brooke and his side-kick from Montreal, I was surprised to learn that King had seemed to T.A. to favor the other lad, not Brooke. This would be wretched luck for Brooke.

However, the portfolio, meantime, is being offered again to Jim Macdonnell who saw King this morning and, I believe, has not yet given his answer. There is some reason to believe that Mr. M is inclined to come in but will stipulate for colleagues, which would greatly complicate things.

King very earnest about his forthcoming western tour. Impressed by constant criticism that the government lacks oratory, passion, power to stir the country. He kind of figures he hasn't lost the old curves and means to give the west a real whirl.

6. 7 June 1941 [DP, QUA].

[Information in the following memorandum came from officials of the Departments of Trade and Commerce and External Affairs.]

Memo re sale 500,000 bushels of wheat (sacked in jute bags) to Japan.

... Canvassed Trade and Commerce and External Affairs whose explanation is as follows (not to be published):

Our export licensing system extended to wheat last February, since when Japan has been asking for licences covering wheat already on "firm" order at that time. Our officials have been delay ing and dodging until, in May, the Japanese legation indicated that further delay would be taken as a refusal and this could only be con-strued by Japan as an unfriendly act. In consequence diplomatic relations would be severed.

I do not think that W.L.M.K. was prepared to pursue so adventurous a policy. Anyhow, the Foreign Office and the State Department at Washington turned up with friendly advice. It was that we should keep in step with their policy re Japan. Do everything

possible to hinder the Japs short of provoking them into hostility. Gum up their economic machine but always have a bona fide reason for doing so. Don't cause a clear break because the United States wants to concentrate on beating Hitler and does not want to have to fight on two fronts unless compelled to do so. If the United States has to fight Japan it will mean a sharp shrinkage in aid to Britain. Therefore Washington is not making things too tough for Japan.

The rule re trade should be, it was suggested, that we should stop all exports to Japan which we could reasonably claim were essential to our war effort. This could be claimed re nickel, copper, lead, scrap iron, zinc etc., but could not be advanced re wheat. Japan would be right to construe a refusal to ship wheat as an unfriendly act. This was particularly true in view of the fact that Japan can buy all the wheat she wants from the United States and Australia. Both are selling wheat to Japan without question.

Our lads believe that Japan wants the jute in the bags more than the wheat and these jute bags are being allowed out. No more wheat will go in bags, however. This will not be the last shipment to go as Japan had more wheat than this on order last February. It is the inten-tion not to export to Japan above the amount of these orders but I do not think that the advice from London and Washington will be ignored and therefore if Japan wants more wheat I expect she will get it.

This is the official case against stoppage.

7. 12 June 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Brooke Claxton, Victor Sifton, and Ralph Bell. Joseph T. Thorson replaced J.G. Gardiner as minister of national war services on 11 June 1941. Colonel Allan Magee was an executive assistant to the minister of national defence. Major General P.J. Montague was senior combatant officer, Canadian Army overseas. As early as September 1940, Crerar had a plan to increase the overseas army to six or seven divisions, two of them armoured, all formed of volunteers, while maintaining two divisions of NRMA men in Canada. (C.P. Stacey, Six *Years of War.* Offical History of the Canadian Army in the Second World War. Vol. 1. Ottawa: the Queen's Printer, 1966, p. 89) It seems likely that in the early summer of 1941 he was pressing for a six-division overseas army *(Ibid., p.* 97) This alarmed Victor Sifton and the Free Press editors partly because of their memories of World War I: the larger the army, the larger its need for manpower once it was in action and suffered casualties. The more manpower it absorbed the quicker would be the route to the dreaded question of conscription. The problem was largely academic in the summer of 1941, though, for the Canadian Army was not in action. Dexter's information about the recruiting campaign was soon proved wrong. The 1941 recruiting campaign aimed at raising 32,000 volunteers. The result, announced on July 16, exceeded 48,000. (J.L. Granatstein, *Canada's War, pp.* 203-4.)]

… Events leading up to Joe's promotion. T.A. laid up with lumbago. Went to see him at home last night. He is quite philosophic regarding Thorson and had known a few days before the announcement (he held out on me).

When change decided upon some three weeks ago, King had discussed situation generally with T.A. We had some mention of this in a memo. He apparently was considering three people, Joe, Brooke and [*Douglas*] Abbott. He was not inclined toward Joe and had an interview with him. Joe, surprisingly, was not keen to enter the government. Joe has been thinking things over. He is getting along, has had a fairly hard life, particularly after 1930. He has a notion that this government sooner or later will be thrown out and he thinks he should make himself secure before that happens. He wants either a judicial appointment or the deputy ministership of Justice.

When King discussed the matter with him, he was not keen for preferment. He thought he was doing a good job on the war expenditures committee and Mr. King need not consider him at all, etc. Joe, himself, was certain he was not in the picture after this conversation.

He then had a talk with T.A. and formally "staked his claim" for a judgeship... T.A told him he had no objections but that Joe should know that King would never open a seat and therefore there was no hope. Joe didn't agree with this. Selkirk was an absolutely safe seat and could be opened without danger. Would T.A. mind if he developed his proposition in his own way? No. So he went to Lapointe who, later, swapped notes with T.A. and discovered that he had given Joe the same advice.

Meantime, King was considering Brooke and Abbott. Brooke put in a memo on how War Services should be run. He is sending me a copy. You may have one. Norman Lambert says it is an excellent memo. Apparently it hurt Brooke badly. King quite definitely does not want anyone to make a great success of War Services. He has never changed his mind on this score. Brooke quite evidently was a desperate fellow-a young man in earnest. He would never do.

I think that the scales were tipping toward Abbott when the next complication arose. This was twofold. The Quebeckers (French) turned thumbs down on both Brooke and Abbott and demanded LaFleche. I am astonished at this but unquestionably it is true. T.A. says so and I think got it direct from King. Brooke knows all about it too. The Quebeckers did not want another English-speaking Minister from Quebec. Moreover, why waste a portfolio on lads who were political accidents and would never happen again? Both hold strong Tory ridings by the mere fluke of

March 1940; both will be licked the moment the Tory party begins to come back. Neither would materially strengthen the government in Quebec. If a choice had to be made, however, the Quebeckers would prefer Brooke to Abbott. Lapointe supported LaFleche.

King was appalled at the thought of bringing in LaFleche, and Joe was the way out. Moreover, Joe had advantages. His personal loyalty is unquestioned. He is outright opposed to conscription which strengthens the anti-conscription element in the cabinet from outside of Quebec.

Mr. King seemed not concerned about the conscription issue last month but he is deeply disturbed now. ...

Gardiner is very much in the dog house. His statement re leaving the War Services Department caused King great embarrassment, brought on the whole shindig. He is to be removed from the war [*committee of the*] cabinet. T.A., I think, rather pleased.

There will be more cabinet changes, so he thinks. McLarty in dutch with everyone and drinking heavily. King commented on this to T.A. the other day, saying that McLarty is drinking far, far too much. We will probably get a new minister of labor.

Chubby, by the way, is off on a souse, the fourth or fifth in the last three months. Victor was talking to him a few days ago. Chubby has had a run in with Lapointe and Cardin over recruiting in Quebec. The results are very disappointing and Chubby wants a free hand to "organize" Quebec for the army. He has the "line" all worked out. He tells the mothers that if their sons join the army they will be taught a trade and be set up for life. He has another argument which I've forgotten and his final argument is that if the lads don't join up voluntarily we will have conscription and they'll be taken anyhow. Lapointe and Cardin would not agree to Chubby launching a recruit-ing drive. The results, as I said, are pretty dreadful-so Chubby has taken to the bottle. These drunks are taking a pretty heavy toll of him.

Brooke is disappointed keenly but is inclined to think that there will be a blow-up before very long which will produce a Union gov-ernment or a general election or both, and in either case there will be plenty of changes and he may get his chance. If it is a general election, he will probably run as a conscription Liberal or Unionist.

There is much grief in the Ralston camp. Gen. Crerar and his staff are under hot fire from all sides. The charge being made against him is that they are consciously or unconsciously sabotaging the

recruiting campaign. Some say the one; some, the other. Crerar's vanity is such that he must get control of everything and having done so, he smothers all new ideas, won't co-operate. He has killed off half a dozen good ideas re helping recruiting. Too much trouble. Interfere with the training of the army, etc. Ordinarily he could do this with impunity. But the consequences this time are so grave that the lads are taking their complaints to Ralston. Col. Magee has tried to resign because the general staff vetoes every suggestion he makes and he feels he is wasting his time. George Currie has tried it too. Victor has gone to town against Crerar twice in the past week.

Ralston *hates* Crerar: despises the general staff from top to bot-tom. But who can he get to succeed Crerar. Odlum? Ralston doesn't like him and it would look bad bringing Odlum home. Sam Browne? Victor thinks better and better of him but Crerar and Sam have been at daggers drawn for months and Crerar has poisoned Ralston against Sam. It is a mess. Ralston is likely to clean up the general staff one of these days. The case against Crerar gets stronger and stronger.

Take publicity for example. They put Joe Clark in charge of the National Defence publicity... and he has been trying to think up ways of helping recruiting. The general staff will never accept these ideas. Yet at a conference the other day, Crerar lectured Joe (and Victor) because there is no publicity. "I never see the kind of things in the paper that should be there." Victor got mad and said that the reason was that Crerar never did the things which were worth print-ing. The news was no good. Crerar should remember he must com-pete for space in the press or he would lose out. Newspapers did not give a damn for him or his staff.

Victor says that there is a plot to double the size of the army. The plotters are McNaughton and Crerar with Price Montague as a consenting party. Both staffs of course are in it (McNaughton's and Crerar's). These people want 2 corps of 3 divisions each plus 1 armoured division and 1 tank brigade, each. There you have 8 divisions and 2 brigades. As we know, the [*Ogdensburg*] defence agreement binds us to maintain 2 divisions at home. You might raise these by conscription, of course, but the voluntary end would be nearly 9 divisions instead of nearly 5 as at present.

The recruiting campaign is a horrible failure, a ghastly mistake from the beginning. It was Crerar again who got Ralston into it. There was *no* need of this campaign. We have 29,000 active service men on home defence. These men could have been replaced by con-scripts and Ralston would have had about all the men he required. He could easily have picked up the balance. As it is, if he gets his 32,000 he will be sitting

pretty, but it looks as if this was impossible. He has around 11,000 (somewhat better yesterday-been running around 400 per day and jumped to 800), and will probably have around 16,000 by July 1, when the campaign ends. In Quebec the returns are terrible. Some days they only got 4 and 5 recruits and the total in Quebec for the whole campaign is around 260.

Victor says that he suspects, and George Currie declares for a fact, that Crerar is steadily increasing the establishment without Ralston getting on to it. He adds corps troops, special columns of one kind or another-always boosting the establishment. McNaughton is doing the same thing in Britain.

Ralston told Victor that if it comes to the pinch he will go through for conscription. But he is under no doubt as to what is involved. Lapointe and his colleagues will quit. There will have to be a general election. The country will be split in two.

Victor feels this keenly. He is very much against a big army. He can't make Ralston see that the gang are putting it over him by increasing establishment surreptitiously. He thinks we can at least get by until 1942 without having to face this issue. If we held down the army, which every reason demands, we might get by altogether because we already have a very large pool of reinforcements for our divisions. By calling up larger numbers of trainees for the duration you would get a steady stream of active service recruits. Under the first two 30-day training groups, they got 3,736 active service recruits which would be nearly 30 per cent (the first group was a small one). Surely when the lads are in for the duration they will get upwards of 50 per cent - possibly 75 per cent. Ralston could bag five or six thou-sand men a month this way. Victor also has a scheme for an apprentice corps, 16 years and over, to receive industrial training and not to be sent overseas before they are 19 years of age. All these dodges would help. But there seems to be a kind of fatalism about the thing - as if we were doomed to face this issue and could do nothing to avoid it.

I don't know the explanation re Quebec. Brooke [*Claxton*] says that Lapointe and Cardin are surrounded by yes men who tell them everything is swell. Quebec has lost whatever feeling it had for the war. There is not antagonism that I can learn. No one has tried to keep up the war spirit.

Airplane industry. Ralph Bell tells me production not a bit better than last February. Making or trying to make 13 models, all of them obsolete. Very discouraged and critical of Howe. Howe very critical of Bell. ...

8. 3 July 1941 [DP, QUA].

[Information in the following memorandum comes from W.J. Couper, assistant deputy minister of labour, Norman McLarty, Bryce Stewart, deputy minister of labour, Kenneth Taylor, W.C. Clark, and Carl Goldenberg.
The federal government's wartime wage policy was developed through a series of orders-in-council. P.C. 2685 of 19 June 1940 recognized labour's right to organize and bargain collectively, but directed that disputes be settled by negotiation or con-ciliation; it also called upon employers to pay fair wages and suggested a bonus sys-tem to adjust wages to increases in the cost of living. P.C. 2686 of 19 June 1940 set up a National Labour Supply Council, composed equally of representatives of employers and employees, to advise the minister of labour on the supply of industrial labour and to act as a liaison between government, management, and the trade unions on industrial relations. P.C. 7440 of 13 December 1940 established wage-rate guidelines which put a ceiling on wage increases in war industry. In 1941 the cost of living began to rise more rapidly and employers interpreted the cost-of-living bonuses as permissive, not mandatory. The trade unions complained strongly and in response the government, by P.C. 4643 of 27 June 1941, amended the December order by making the cost-of-living bonuses mandatory.

When Dexter writes of Keynes' idea of deferred pay, he is referring to the British budget of 1941 in which the chancellor of the exchequer tried to close the inflationary gap between expenditures and revenues by increasing the income tax and by reducing the exemptions, thereby enlarging the number of income tax pay-ers. "Some of these increases were credited to the taxpayer, to be repaid after the war-a device which Keynes advocated as a means of combating postwar unemployment... ." (Taylor, *English History*, p. 621).]

Dr. Couper, assistant to Bryce Stewart, dep min labor. Fair-haired, typically German laddie, frightfully professorial and very accurate. Obviously ideal bureaucrat.

Root of wage policy in order of June 1940 which advised bonus system. December order 7440... meant that current wage rates should be regarded as fair and reasonable and should not be increased unless it could be shown that they were much below the general run, were in fact unduly depressed.

McLarty's suggestions of February had proposed that the bonus be based upon an assumed average wage of $25 per week. Actually the average was $26.08. A five per cent bonus on the assumed average would be $1.25 per week and this was the course proposed.

The amendments to the Dec. order, dated June 27, made no change in policy, but clarified the language. This clarification should have come much earlier. But the government hated to admit that the job had not been done properly. The December order had been badly drafted, largely because of Bill Mackintosh (who wouldn't appreciate this crack) but, also, because the ministers had changed the wording in cabinet.

The second-to-last clause in the Dec. order had come from the National Labor Supply council and was the compromise arrived at between labor and employers. Labor didn't realize that this compromise really meant compulsory arbitration until after the order was issued. Thereupon labor weakened. They didn't want the order clari-fied; it was bad enough as it was.

It was true that the bonus was inflationary. But what were you to do? If the government had controlled the economy from the outset, the need for bonuses would not have arisen. The government didn't do this and so some such policy as the bonus was inescapable.

Actually this policy was moderate, damn moderate. The bonus of $1.93 amounted to an average boost of 5 1/2%. The cost of living had risen from 100.8 to 109.4. In the United States where wages have actually been rising faster than the cost of living, the railway men were demanding 30 per cent increase and had been offered 10 and would no doubt settle around 15 per cent. We should feel pretty happy if we could get by with the present bonus policy.

McLarty: The order-in-council of last December had been absolutely necessary. People didn't know what the situation was. If they did they wouldn't criticize. Actually, 50,000 railway workers had demanded an increase in wages. The rest of the workers had fixed Jan. 15 as the date for their meeting to pass on a similar demand. Undoubtedly all the railway workers would have plunked for more pay and they would have claimed about the same percent-age increase as the lads in the U.S. - 30 per cent. The government realized the inflationary danger of basic, percentage increases and determined to head this movement off. The government were doing their utmost to regulate things so as to control the cost of living and, if wage increases could be confined to flat-rate bonuses based upon the cost-of- living index, it might well be possible to prevent wage increases altogether. So Bryce Stewart had tackled the unions and persuaded them to abandon their demands for higher wages and to accept a cost-of-living bonus. The big idea was that there were to be no basic increases and if the govt could keep down the cost of living, there would be no bonuses either.

It wasn't really his [*McLarty's*] business to say that the govt wanted the bonus policy applied all over the country to all workers and salary men. Outside of war industry, the provinces were in charge of labor. But the government did want the policy applied to all employment. The government wanted the bonus system adopted. It would then be up to govt to keep down the cost of living and if this could be done no demands for wage increases could be made.

But if this policy could not be put over, demands for basic increases in wages would pop up all over the place. We might as well throw the whole economy over and sit back and see the country go to hell.

The bonus was a damn good idea. This one amounted to only a 2 per cent increase for the higher-paid railway men and 8 per cent to the lower-paid.

Actually the railways were about the last to get it. The mining industry paid it long ago. So has the paper industry, war industry generally, General Electric, Westinghouse, Massey Harris etc etc.

He didn't think the govt could be blamed for not having frozen wages early in the war. Too many variations. Why there were eight different rates of pay in Montreal for the same kind of work, and so on. Wages in 1940 came to $2,875 millions. Now well over $3,000 and the bonus will send it up still higher.

I asked him if basic wages were being kept down. He said that a good deal of work had to be done on this score. Employers were forbidden to entice but there was nothing to prevent them raising wages. He intended to circularize them very soon, suggesting that they abstain from wage raising.

Bryce Stewart: Situation critical but no need to think Labor Department wouldn't handle it satisfactorily. He had solution well worked out and intended to consult McLarty and other departments concerned next week. Right now all employers being compelled to report to Ottawa existing wage rates and all changes in them. The Munitions and Supply Department hereafter should stipulate wage rates in all contracts and pay on these rates. If the employers pay more, it will be out of their own pockets. This will give the govern-ment control over great part of wage policy. To prevent private employers from outbidding war industries, the labor exchanges now being set up will be empowered to control the employment of vari-ous classes of workmen. Thus it may be provided that steam-fitters must not be employed except by permit of the government labor exchanges. In this way, private industry will be restricted in its employment of any class of worker that is scarce. War industry will be given the right of way and there will be no danger of out-bidding on wages. He thought this would meet the situation.

Ken Taylor and colleagues of Wartime Prices and Trade Board. Things going to hell with extreme rapidity and nothing being done about it. McLarty's labor and wages policy all balls. Wages were going up hand over fist. Tip Top Tailors have boosted wages 15 per cent and are giving another 15 per cent. Another firm in Toronto has given two 10 per cent boosts and is giving a third. Canada Packers' plant west of

Toronto had to meet war industry competition. Were paying $24 per week and war industry paying $34. Can Packers met competition and went one better. In many cases wages are up 50 per cent, and 20 and 30 per cent very common. Labor Department has done nothing to control basic wages and McLarty's talk sheer nonsense.

Could you freeze cost of living?-Food, clothing, fuel and shelter. Shelter easy by means of rent control. Fuel, not so good. Large imports from U.S. Costs there going up because of price-fixing arrangements. Then you have the 11 per cent exchange rate and the 10 per cent tariff. Taxes affect freight. Probably fuel up 30 per cent and, unless you are prepared to pay bonuses, the price will go up just as fast as U.S. people put it up. Quite beyond our control.

Clothing. Get practically all our wool from U.K. Prices up from 60 to 75 per cent above pre-war. Britain gave Australia damn good price and we have to pay it in buying what we use. Shipping rates much higher. Insurance, freight, etc. higher. No way in which we could prevent increases in price in wool except by subventions. Our wool production about one fifth of consumption.

Cotton. Here you had the 11 per cent exchange and the 10 per cent tariff. The price, of course, is fixed in the U.S. and is beyond our control.

Of the rise in the cost of living, much the larger part is due to external causes. No use looking pleadingly at Prices Board. If government really serious in heading off inflation (which has already begun) must increase taxes. It was a job for the Finance Department. Ken Taylor said that in his judgment the situation became dangerous in May when he had urged more direct action. No notice had been taken of his request.

Interesting to work out the part of the present bonus of $1.93 per week which would be taken up in taxes. Nat Defence tax would take 5 or 7 per cent. Income tax would take 15 per cent. Unemployment insurance take 25 or 35 cents per week and so on. Probably more than 80 cents goes back into treasury.

What was actually required was co-ordination between various agencies doing things which affect the cost of living. These agencies are Prices Board, Labor Dept, Bank of Canada, Munitions and Supply, Finance. Present time no consultation at all.

A 5 per cent bonus calculated the way McLarty calculates this one would amount to some $165 millions per year which would raise production costs by about 2.7 per cent. This calculated by amount of bonus against national income.

Much more direct controls needed. All manner of price increases occurring unjustifiably in articles which it is nobody's business to control. For example, jute bags up. This affects all kinds of prices. Same with rubber and other articles. Govt didn't seem to realize that most articles are somebody else's raw materials.

Danger in present situation indicated in fact that, of total increase of 21 per cent in wholesale prices, 15 per cent occurred in first few weeks of war. Then prices remained steady for upwards of year. Now in last few weeks there has been gain of 6 per cent and unquestionably prices will go up more rapidly as time passes unless action taken.

Might adopt Keynes idea of deferred pay.

Taylor unsure that whatever we do we can divorce our price structure from that of U.S., and U.S. seems to be away on greatest inflation world has ever known.

All kinds of angles. When chaps making plenty of money the leisure factor important. Take week off go fishing etc.

Great gaps in our control system-we have no controllers for such important items as chemicals, jute, rubber etc.

Best we can now hope for is to begin stiff rearguard action and try later to make a stand. Ministry of economics best bet. Otherwise cabinet pretty well impervious to ideas.

Cliff Clark: Yes, situation serious but he was fully alive to perils and action would be taken. Longer he lived the more impressed he was at importance of timing. Everything depended on timing. If you did right thing at wrong time, just as bad as doing wrong thing. Thought economic policy had been handled with amazing wisdom. Situation was critical but now was the time for remedial measures-timing factor just about right.

We had proceeded on policy of expansion, easy money, stimulate all production, war and non-war, get the national income up just as high as possible. This policy no longer suitable. Reaching full employment. Can't expand any more. Need to switch from peace- to war-industry. Danger of inflation very real. Within two weeks, direct controls will be applied all over the place. Cut down non-war production and fix prices. Control wages, if McLarty's scheme falls through. Controls would include price-fixing, production of wide range of civilian goods, rationing if this necessary (he didn't think it was at present time). Was not aware of any lack of co-ordination. Did think some kind of economics department essential. Whether cabinet minister required not sure. Probably not. Deputy minister and staff good enough.

I think the real point in this memo is the evidence it contains that there is absolutely no co-ordination between the regulating authori-ties. Cliff C, for example, had not heard a word of Bryce Stewart's plans and seemed to take a scunner to them right off.

This been chiefly an extension of notes. Looking over it, think I have been little unjust to Stewart and Clark. Stewart's line, really, was that hitherto war industry had led the wage race, outbidding pri vate industry. Now this must be stopped and by other means, as indi-cated, private industry must be prevented from outbidding war industry.

Clark's way of summing up the problem was this: we have a great many war economic controls, and we have a great many civil economic controls. The difficulty arises because the two groups have no point of contact, never consult each other.

Carl Goldenberg, Munitions and Supply: a little touchy on his department and points out how swiftly and unreasonably war brings changes. Nothing must be done, he says, to prevent Munitions and Supply from making instant decisions, as with the anti-tank gun etc. He denies that he hasn't consulted everybody re M. and S. decisions. Ken Taylor accuses him of not consulting on lumber price but Carl denies the charge. The trouble, says Carl, is with everybody else. And he may be right, at that.

9. Letter from G.V Ferguson to Grant Dexter, 12 July 1941 [DP, QUA].

[The prospect of conscription continued to alarm the *Free Press* editors in the early summer of 1941, fuelled by the plans of the army chiefs to increase the size of the Canadian army, and by the supposed failure of the recruiting campaign to reach its target. On 5 July 1941, Dexter sent to Ferguson and Dafoe a "hastily copied memo" containing an account of the army's plans for expansion, and he followed this up on 11 July with a letter expressing his anxieties about the inevitability of conscription:

> I am oppressed to learn that the annual requirement to maintain our present army establishment is 84,000 men per year. Victor thinks this is low & that 100,000 is nearer the mark.
>
> Can we avoid conscription in any case? Can we get, say, 90,000 men per year without the draft? We have been two months raising 32,000, using every means to induce enlistments. There will be a let down when this campaign finishes & yet Ralston needs at least 7,000 a month.

Ferguson's reply is enriched by an account of Prime Minister King's talk with J.W. Dafoe while King was on a western speaking tour in support of the recruiting cam-paign. It is presented here for the enlightenment it provides on King's attitude to conscription at this point. Interestingly, but perhaps not surprisingly, King appears not to have appreciated the imminence of army plans for expansion.]

So many thanks for the word of Victor and his departure and for the manpower hints. I think we must avoid letting ourselves get stymied over conscription. I follow you and the Chief and Victor in stalling temporarily. But what I do not follow is the quick insistence of both you and the Chief that we should postpone real discussion of the issue in the paper until the recruiting campaign is over. So far as I can judge the campaign is never going to end. 32,000 men in 8 weeks of active campaign is 4,000 a week. You say we need at least 7,000 a month to maintain existing establishments, probably more. These figures don't look good to me, unless the new plan to keep all draftees in will mean a steady flow of men into the active army. I presume this is what you and V. are hanging your hats on.

The Chief had a few minutes with Billy King. Told him bluntly that if K. were opposed to conscription on principle, the FP would not follow him. K. assured the Chief that this was not so, that if we needed conscription to meet the needs we'd have to tackle it. At that point I was called in and quickly spoke a little piece about the real strength among youth of the conscription feeling. The boys today are not built like us. They want equality of sacrifice and they mean it. I've been impressed in my recruiting activities to see how hollow the appeal is on voluntary lines. This I told K. who listened attentively but did not or would not believe it - turned immediately to the old line that his enemies were after him. Said if everyone were like me-out pushing for recruiting, all would be well. Said there were no shortages in navy and air force, that the dragginess in army was only because of inactivity in that line.

Proceeded to say that should conscription be needed, he did not see how he and Lapointe could do it. Any one could have his job that wanted it. He did not. But (presumably alternatively) he said it would require either a general election or a referendum. The Chief chipped in at that point and said either would be awful and a referen-dum disastrous (he is convinced a referendum would beat conscrip-tion) and said it would be best to avoid an election. If sentiment changed in House of Commons, then it might be possible to satisfy honor by a formal resignation and reconstitution of the government and carry on with conscription.

K. wound up by deploring the public discussion. Said it was not necessary. But this is meaningless to me, since public discussion is now raging and will mount steadily.

I am going to work on the Chief along these lines. We should, I think, fight the larger army idea to the death though it may well be

that this is already a lost battle. The Chief mentioned to K. the facts you sent me in your hastily copied memo. and said it appeared to be news to K. I fancy it was.

So my conclusion is that we can stall on writing about conscrip-tion but we'll land up at the tail-end of the procession with many reasonably useful contributions to the debate left unsaid. Hope I am wrong about this.

All this for your information, as the Chief may not have written.

10. 28 July 1941 [DP, QUA].

[Information in the following memorandum came from Major General H.D.G. Crerar. Colonel Alan Cockeram was Conservative MP for York South. Napier Moore was the editor of *Maclean's.* In June the *Globe and Mail* had run a series of articles entitled "War Problems Affecting Canada." The Canadian general staff, it was alleged, was not abreast of the latest developments in mobile, mechanized land warfare. The organization of the Canadian army was obsolete. Recruits were being trained for a type of warfare that had gone forever. There was no provision for con-ducting divisional manoeuvres in Canada. Finally, the supply of modern weapons was pitifully short. To improve matters, the *Globe and Mail* suggested that the gen-eral staff should be moved out of the "cloistered atmosphere of Ottawa and the direction of munitions production turned over to a manufacturer of great experience and energy." (Toronto *Globe and Mail, 21-30* June 1941.)]

Col Ralston and the senior officers of the Defence department are deeply concerned about the criticism of the army which is becoming so common throughout the country. The effect of this crit-icism is:

1. To destroy the morale of the soldiers; to lead them to believe they belong to a second-rate show.

2. To destroy recruiting, since no young lads will want to join up with a no-good army.

3. To seriously shake public morale, because everyone who has a loved one in the army will begin to wonder if the army is being efficiently trained and armed, if the lad is not being exposed to des-perate unwarranted risks.

This combination, he [*Crerar*] said, would be disastrous to the war effort and to the country, and he had no idea how the "insidious" campaign now underway could be countered.

He mentioned quite a few sources of contagion. Col Cockeram, he said, was merely a disgruntled fellow who had desired him to fire Col. C's commanding officers and put Col C in the berth. He had refused and ever since Col C. had been on the war path.

Maclean's and the *Financial Post* were continually fanning dis-content but he assumed this was political dislike of Ralston.

But the man chiefly responsible for the whole business is Col. Geo Drew who was always prodding Napier Moore's elbow and who, undoubtedly, was the author of the *Globe and Mail* series.

Drew apparently sent a long memo to Col. Ralston last spring, which was answered only in a formal way. All the criticism, says Crerar, including the criticism coming from Gen Clarke out at Vancouver, derives from this memo. The *Globe* series has done serious harm in the Toronto area, including Hamilton, and the effects seem to be spreading. He thinks so because of reports coming in from officers at various points and, also, letters from the public.

His defence of the dep't is as follows:

So long as he remains Chief of the G.S. he will insist upon army training being carried out properly. We are doing the job, in Canada (subject, of course, to a lack of equipment here and there) exactly as it is done in Britain (God help us). The enlisted man must be given four months training as an individual, to make him a competent mechanic of war. He must learn how to handle himself and his weapons. Another six months is required to train him in platoon, company and battalion formations.

It is absolutely unwise to begin manoeuvres until after one year's training. Then you must begin the brigade and, later, the division manoeuvres.

We in Canada had never got beyond battalion formations. The third division, our most advanced, was at that point now and would be overseas before the brigade stage was reached.

There was a school of thought (a side crack at Victor) who believed we must show our army, do large-scale manoeuvres etc. This would be a sheer waste of time and money, and he would never agree to it. Training must follow the prescribed course; no concessions must be made for purposes of publicity or salesmanship.

People didn't know that although our first division had been ordered to France (and one-third got there) after Dunkirk, McNaughton had insisted upon the boys reverting to weapon training and they had not done any manoeuvres until this spring.

Our equipment situation had been most unfavorable but was rapidly improving. The first 25-pounders had reached Petawawa and they would now come in a continuous flow. The public didn't realize, of course, that more than half of our output of equipment went to Britain.

The present situation, unless remedied, could only lead to a cri-sis. What could be done about it?

I gave no advice, pleading ignorance. I told him, however, that I was sure that most newspapers would publish his "case" if the detail was made available. Whether the facts as he had told them to me would make any impression on the public, I do not know.

Would say that he is exceedingly worried. He kept on remarking that the air force and the navy could hold their heads up. They were popular. But everybody had it in for the army. Tried to make you feel as if there was something about the army to be ashamed of.

P.S.: Crerar gave interesting figures on armoured units. Too much attention being paid to armoured units he thought. People were liable to get the idea that the whole army should be mechanized. The best information in London is that Germany has 20 armoured divi-sions. The rates of armoured to the ordinary was 1 to 4. The British rate was nearly 1 to 2. Our Canadian corps, for instance was 3 ordi-nary divisions, 1 armoured & 1 tank brigade.

11. 30 July 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Angus Macdonald. R.B. Hanson was Conservative leader of the opposition in the House of Commons, and when he prayed for "a Menzies" he meant Robert Menzies, prime minister of Australia, who visited Ottawa in May 1941 on his way home from Britain and, as Mackenzie King noted "took this city more or less by storm". (Pickersgill, *King Record*, I, p. 213.) Prolonged absence from Australia undermined his political position, and on the 28th of August he resigned office because of divisions within his cabinet. Dexter's account of the war cabinet meeting of 29 July 1941 is coherent and persuasive, coming as it does from a usually reliable source, T.A. Crerar. It is not, however, confirmed by C.P. Stacey's official accounts of the war (Six *Years of War* and *Arms, Men and Governments. The War Policies of Canada 1939-1945*. Ottawa: Information Canada, 1974.). Stacey allows that the adjutant general's survey of manpower, which argued that there was manpower enough to permit the mobilization of 6 divisions overseas and 2 divisions at home, was mentioned by Ralston. He further states that at this meeting a sixth division was authorized for home defence. Both Stacey and Dexter agree that the meeting decided that the overseas army should be limited to four divisions and a tank brigade, exactly the position it was at. (Six *Years*, p.94; *Arms, Men*, p.44). Captain Harold Balfour was parliamentary undersecretary of state for air in Great Britain. In the summer of 1941, Great Britain was beginning to suffer from a serious labour shortage. Accordingly, the army was limited to two million men. The population of Britain was 45 million in 1931. See Taylor, *English History, p.* 512 and 515.]

... T.A. said Joe Thorson is behaving himself but is not going to work out well. Too detailed a mind, not enough sweep or vision.

T.A. thinks the government only superficially unpopular in the country. Critics mostly vocal whereas majority silent and satisfied. Thinks there has been no sudden worsening in the situation but would very much like to see a tuck taken in Hanson's jib. Returned to this several times, outlining a tuck or two. Hanson had prayed God for a Menzies. Well Menzies might be available soon in Canada since he could not command the confidence of his countrymen. Hanson just making trouble and this annoys T.A. very much.

Was satisfied that there is a very large majority against conscription in the English-speaking provinces. He remembers 1917. Rural Ontario today would put thumbs down on conscription. Rural Ontario's revolt against conscription last time led to the farmers' government in Ontario and then in the west and so on.

The program for an increased army establishment came before cabinet on July 29 largely in the form already covered in the memos. Ralston read the proposal of the general staff but did not support it. Merely put it before the cabinet. The proposal calls for two more divisions.

The cabinet turned it down cold, deciding to restrict the army for the time being to an overseas force of three divisions, plus an armoured division and an infantry tank brigade. There will be two divisions at home. This is the present set-up.

I gather there was some plain speaking because Angus came in and joined us and spoke very frankly about the cabinet. We must, he said, be governed by priorities. Our first need is ships. Without ships we can't do anything. Next come air force, then navy, then war industry generally and army last. To enlist a great army without equipment for them would be like sending men into lumber camps without axes or saws. The need must be demonstrated.

Angus was most annoyed with the conscription people. Let nobody make any mistake about it. Conscription for the army would mean conscription for industry. Every war worker in Canada would come down to $1.30 per day. Wealth would be conscripted too. I opined that you cannot effectively conscript wealth in war-only income. He said he didn't care whether or no it was feasible. It would be imperative for political reasons. Conscription would have to be a general measure.

Right now conscription is not needed. It just muddies the water, confuses people. Could there be any one in Canada who, looking at the present ministry, would not realize that when the time came for conscription, it would be carried by the present government with or without Mr. King? Did anyone really believe that Layton Ralston

would sit quietly by while the army withered for lack of men? Quebec or no Quebec, if conscription was really needed, the present cabinet would provide it. Angus got pretty worked up, and at this point IA. said "That goes for me, too."

Inconclusive talk on labor-lack of reliable information in cabinet. McLarty's incapacity. Angus thinks it should be pointed out that only a negligible percentage of Canadian workers are organized in unions and the union leadership is damn bad. We shouldn't pay any attention to what organized labor leaders say. I didn't quite follow this argument.

Angus confirmed the story re Balfour. Balfour, the air chap, while here had told him, in strictest confidence of course, that Churchill had given up the big army plan. It isn't necessary to invade. Given 50,000 bombers, Churchill believes he can make Germany sue for an armistice.

No work done on the two destroyers.

No trouble getting recruits for the navy or for the airforce. Trouble with army is it isn't fighting. No substitute for fighting, and army unlikely to do any until 1942, if ever.

12. 27 August 1941 [DP, QUA].

[Information in the following memorandum came from W.C. Clark and T.A. Crerar. The Economic Advisory Committee, composed of deputy ministers and other senior civil servants, was set up to advise the government on economic policy pertaining to the war effort. Chaired by W.C. Clark, it was the most powerful body of civil servants in Ottawa. R.C. Berkinshaw was director general, priorities branch, Department of Munitions and Supply and, from 1941 to 1945, he was chairman, Wartime Industries and Control Board. A.H. Williamson was appointed controller of supplies, Department of Munitions and Supply. In November 1942 Williamson became the rubber controller and the timber controller of Canada.]

Pursuing matter of economic controls as from pre-holiday date.

Sub-committee on economic policy, on which Cliff Clark and Graham Towers are the works, gave long and serious consideration to need of more controls and, equally, of coordinating existing con-trols. Clark told me today that sub-committee had recommended to cabinet the creation of a new department with minister at top or, alternatively, a deputy minister under Ilsley. New department would take over Wartime Prices and Trade Board and staff and also the purely supply end of Munitions and Supply, leaving Howe with production and nothing more.

Cabinet turned this recommendation down. Mr. Crerar tells me that there was no acrimony in cabinet. I didn't ask if Howe was the chief opponent, which would be my guess. He said that the cabinet felt that it would be wiser to try and coordinate within the present structure rather than create a lot of new machinery which wouldn't work very well at the start and, in any event, would be hard to get rid of after the need for it had vanished. Instead, the cabinet decided to try to coordinate the present agencies. To this end, the Wartime Prices Board was transferred to Ilsley. The Board is to be enlarged to seven members. This will enable a seat to be given to Mr. Berkinshaw, now priorities officers in Munitions and Supply, but soon to become really the deputy head of the supply end of that department. There will also be a floating seat which will be passed around according to the business in hand. If steel is under discussion the steel controller will become a member of the Prices Board; lum-ber, the lumber controller and so forth.

Ilsley is taking his new responsibilities very seriously. He is consulting with the Board for hours each day, reading memos and so forth. The chaps in the Prices Board are very much impressed with the way things are shaping.

In Munitions and Supply an equally drastic shake-up is underway. I haven't much memory for titles but the details on functions will be clear. Berkinshaw is to become, in fact though not in name, a deputy directly under Howe in charge of supply. He will have the job which was offered to Dynamite and Mr. Williamson of Vancouver will be his chief assistant. Berkinshaw will continue also to direct priorities and will, of course, become the chairman of the board of controllers-meaning all the controllers in Howe's department.

He is giving a seat on his board [*the Wartime Industries Control Board*] to the Wartime Prices and Trade Board, and Hector McKinnon will take it for the time being. Berkinshaw will use Williamson purely as a trouble-shooter. Whenever a problem gets out of hand, as silk did and as rubber is likely to do, (I am told to buy auto tires now if I want them) Williamson will be placed in charge of it.

There is one grave weakness in these arrangements. They do not include prices of farm products which are run by a board headed by Dean Shaw under J.G. G[*ardiner*]. Some effort was made to hook in this board but J.G.G. didn't care for the idea, and for the time being any notion of bringing farm prices into the general scheme has had

to be dropped. Shaw is a member of the Wartime Prices Board but there isn't much co-operation between the two.

So much for the machinery. I asked numerous folk what actual steps were contemplated. I found a considerable divergence of view. Some feel that the revamped Prices Board should step right out and control prices in a big way, going as far as rationing if this is necessary. Other shrink from any drastic measures unless they are absolutely inescapable.

There seems to be more than a little disillusionment among some of the economists. Prices are hard things to nail down, or rather costs are hard things to nail down. You will recall that the Prices Board got the wheat processing tax removed and, by other means, wangled a drop in the cost of making bread of around seventy cents. I don't remember what the unit was. But anyhow, costs of lard and other materials going into bread have shot up until the bakers are now no better off than before. Lard apparently has shot up because the Board had vegetable fats and things kept out as a means of saving U.S. dollars. But the Board suspects a good deal of profiteering also in the lard situation.

13. 16 September 1941 [DP, QUA].

[Information in the following memorandum came from L.B. Pearson, assistant undersecretary of state for external affairs; Senator Norman Lambert T.A. Crerar; R.K. (Andy) Carnegie, representative of the Canadian Press on the Parliamentary Press Gallery; W.W. Goforth, Montreal economist and a member of the budget section of the Directorate of Staff Duties, Department of National Defence; Norman Dowd, secretary-treasurer of the All-Canadian Congress of Labour; Tom Moore; J.G. Gardiner; and J.T. Thorson. President Roosevelt and Prime Minister Churchill met for the first time on 9 August 1941 on a warship in Placentia Bay off, Newfoundland. Their meeting, which lasted three days, reaffirmed Anglo-American unity and produced the Atlantic Charter, a declaration of principles for postwar reconstruction. In the preceding April Roosevelt had told Mackenzie King at Hyde Park that he wanted to meet Churchill and that he thought Newfoundland would be the safest and most convenient place; and on August 6 Churchill told King about the imminent meeting. Nevertheless, King was not invited to it nor consulted about it, and he felt indignant at being ignored. In July, Mackenzie King had begun planning a visit to Great Britain as a means of developing a closer relationship with Winston Churchill. King flew over in a Liberator bomber on August 19 and stayed for nearly three weeks. He conferred with Churchill and attended several sessions of the war cabinet. Churchill told him that without American intervention the Allies could not win the war. King's response was that Roosevelt and his cabinet colleagues were anxious to go in but that many Americans still felt otherwise, and that Churchill should not count on an early American entry. In a broadcast address at the Mansion House in London, King spoke of a new world order in which large and small nations would unite to defend freedom and human rights. While in Britain, he also

scotched the idea of an imperial war cabinet, visited the King and Queen at Balmoral, and visited the Canadian troops at Aldershot where he was booed. Leonard Brockington was special wartime assistant to Prime Minister King, 1939-1942. Peter Fraser was prime minister of New Zealand. Wendell Willkie visited Toronto on 24 March 1941. In the summer of 1941, the general staff was considering an overseas army of 6 divisions, in addition to a force of 2 divisions at home. George McCullagh was publisher of the Toronto *Globe and Mail*. J.T.M. Anderson was Conservative premier of Saskatchewan, 1929-1934. John G. Diefenbaker was Conservative M.P. for Lake Centre, Saskatchewan. Charles Vining was a veteran Canadian journalist and, since 1934, president of the Newspaper Association of Canada. Pierrepont Moffat was the United States' minister to Canada.]

High time I did a memo.

... W.L.M.K. was not scared in flying the ocean or if he was he absolutely hid his fear. I have made careful inquiry on this point and am glad that the P.M. came through so well. He was unusually gay both going and coming. On his return trip he slept almost all the way home. The booing, according to Andy Carnegie, came largely from the 48th Highlanders of Toronto. The speech at the Mansion House made a great hit. King did not go to see R.B. *[Bennett].* But R.B. sent him a message through Carnegie to the effect that the speech was precisely what was needed at this time and Willie was to be warmly congratulated.

Great controversy about whether or no Mackenzie King was outraged by being left out of the Atlantic conference. Norman Lambert who mislikes King and gossips about him has a theory completely worked out. He was developing it the other night at Angus Macdonald's, after a party at the Country Club, and old Alex (Ah! Well) Johnston went fast asleep. Norman has some factual support for his theory, which I'll come to later. The theory is that one of the main buttresses of Mr. King's position as prime minister is the linch-pin function - the interpreter between the U.S. and Britain. When Churchill and Roosevelt got together, without the interpreter, the function at once ceased to be of great importance. The absence of W.L.M.K. is the more remarkable because the conference took place in a bay on the Newfoundland coast, practically in Canadian waters. King could have flown there in four or five hours and gone back with Churchill as easy as pie.

Norm says that King's rage was unbounded. Not only was he cold-shouldered: he did not know of the conference until it was on. His position being gravely compromised, the only way out for him was to go to Britain with all speed and hope that there would be no more jolts of this kind. The trip to Britain would enhance his prestige.

Evidence: Norman, I think, relies chiefly on Brock who saw King on the day the news of the conference reached him and on subsequent days prior to leaving for Britain. I would discount Brock heavily for reasons which will appear later. But John Pickersgill agrees that King was shocked at being overlooked. I imagine there is no doubt that he was disappointed. I think he should have been there.

The case on the other side is that this was Roosevelt's conference. Churchill was careful to say that he was invited. Roosevelt didn't invite King. Churchill could not do anything about it. Churchill had Fraser on his hands and Australia was keen to fly a man. If he spoke for King he would have had to speak for the others. Norman's theory is that King blamed Roosevelt and hit back at him in the Mansion House speech. So far as I can learn and I have inquired with care, there was no consultation with Roosevelt before the speech was made. Actually when you get the Mansion House speech strapped down on the operating table, it doesn't stand up too well. King borrowed heavily from his New York speech and he lifted the peroration from his welcome address to Willkie. He cabled Brock for filler material and got back the bits on London and the Gray poem. King changed the London phrasing around and his taste in words is dreadful. Brock wrote something like London's heroic defence had been told the world over etc.-which King changed to reverberate over the air waves.

Brock's relations with King have reached a crisis. Brock desires a real job-spokesman for the war effort, etc. He regards the work he has been doing as about grade 3 clerk's standard. Frustration has reached a point where his health is imperilled.

He went to King before King flew to Britain and was repulsed. King accused him of job-seeking. Brock, of course, says that King was beside himself with rage re the Atlantic conference and wasn't really responsible.

... T.A. commenting on Norm Lambert's theory points out that King knew that the Atlantic conference was going to take place as far back as Hyde Park. King when he reported to cabinet on Hyde Park, said that Roosevelt had told him that he intended to meet Churchill this summer, probably in August, and the meeting would probably have to take place on the Atlantic. T.A. says that if King felt hurt at not being present he has never betrayed it. His report to cabinet and personal discussions show no sense of grievance, of being passed over.

T.A.'s chief interest is in the labor situation which he regards as critical. Strikes are due chiefly to campaign to unionize workers. The strike is "promotion"; organizers must show reason why the men should join up. A strike and an increase in pay is the best way of doing this. He named points where labor organizers had stirred up trouble in happy contented industries, particularly the mines. This is big business for labor organization.

Had lunch a while back with Norman Dowd and Tom Moore. They agreed pretty well with T.A. although they argued that their organizations were not offenders. We had no trade union member ship worth mentioning prior to 1914. But vigorous organization campaigns brought the membership up to about 300,000 by 1920. There was no increase between wars, actually a decrease. Today the unemployment insurance returns show a potential trade union membership of some 3,000,000. Only 10 per cent are in the unions. If you can collect 50 cents per month from any substantial number of the 90% you are in big money, very big money.

Victor continues to be disturbed about the big army campaign of the general staff. In working on this broadcast I've seen something of Prof. Goforth, formerly of McGill, now a major on the general staff. I was astounded to find him fairly sizzling with the plan for 8 divisions-4 armoured, 4 infantry. He was quite communicative, indicating that the plan has been very widely discussed by the gener-al staff. The plan, he said, came from McNaughton and the British war office and represented what Canada was believed able to do.

On the money side he [*Goforth*] argued that the 8 divisions would boost army expenditures from $660 millions to around $1,100 millions. Add as much as you thought reasonable for air force and navy and aid to Britain and you could not boost war votes over $3,000 millions which would only be 50 per cent of [national] income-perfectly safe and greatly to be desired.

The politicians, he intimated, were under steady pressure and would cave in sooner or later. Already a great deal of the 8 division establishment was approved and in existence, without the politicians knowing what was being done. Thus the army training establishment was of 8 division calibre and so on. It would be very wasteful indeed, not to fill out the programme now.

No need of conscription at least until Quebec would accept it. Unbelievable stupidity in dealing with French Canada in the past was responsible for our difficulties now. The general staff aware of deficiencies, and new and enlightened policy being followed. To get

the men we must get French Canadian officers from the "ruling classes". This had never been done. But one of the greatest difficul-ties was that of language. Until July 1940, not one of the military text books had been translated into French. A library of books had to be translated-thousands of books. Without French texts it had been impossible for the Quebec lads to learn the business of war, to qualify for commissions. That was equally true of non- commissioned rank. To date several hundreds of the translations were complete and the effect was being noticed markedly. To help along, schools to teach sufficient English for army purposes were being operated. Quebec was doing well by the army, he said, and would do increasingly so as time went on. By the time conscription was needed, Quebec would probably be ready to accept it.

That the 8-division army is being sought by the general staff by every means is clear from other facts. Within the past few weeks, a meeting was arranged between George McCullagh and a senior officer of the general staff. The officer argued that McCullagh is wrong in describing ours as a bow-and-arrow army. It is as modern an army as the politicians would agree to. It ought to be much larger and instead of one there should be 4 armoured divisions. The plan was shown to McCullagh and he was told that the cabinet had turned it down. You may have noticed a sharp change in the Globe's attitude. The brass hats are no longer criticized. The government is now being charged with refusing to exert Canada's full power, etc. I do not know but I suspect that similar approaches are being made by Crerar to other publishers who have been criticizing.

Ralston knows all about this. He has no confidence in the general staff but is at a loss to know how to handle Crerar. He cannot fire him unless he has a successor in view, which he hasn't. He might leave him at home when he goes to Britain by bomber (in a few days) but this would destroy Crerar and hurt the army morale with-out doing any good.

The general staff, perhaps unconsciously, has declared war on the government. That is what it amounts to.

Long talk with J.G. Gardiner. Britain has bought 120 millions of wheat at better than 90 cents per bushel. We are paying, of course. He merely clears his British agreements with the finance department and then goes ahead.

He believes we can and must raise an army of 1,000,000. The registration, he said, showed one million some hundred thousand unmarried men between the ages of 16 and 36. On a three-year

basis, all would be eligible. Conscription not needed. If the government had taken his advice and continued 30-day training, the problem would have been solved. Some 25 per cent of these trainees were enlisting but the whole eligible male population was rapidly being made military-minded. The effect on recruiting would have been cumulative. I thought this was nonsense but didn't say so.

His chief interest, at the moment, is political. The finance department has betrayed him. Ilsley has appointed two of the most malignant, intolerable Tories in Saskatchewan to audit Jimmie's reports to treasury on payments under the Prairie Farm Assistance Act. These payment bills will run to $30 millions. They should have been paid by this time. Farmers have been screeching for the money. Yet owing to these two Tories-snakes that had never missed a chance to strike - less than $500,000 had been paid, and payments were going forward at so slow a rate that the business would not be wound up until late November.

Was he waiting for Ilsley to get back? Oh, Boy! One of these vipers was a Mr. Carmichael who had blackmailed Mr. Cross, when treasurer of Saskatchewan, blackmailed him and then betrayed Liberal secrets which his position had brought him to Anderson and his crowd. Anderson had rewarded Carmichael by making him clerk of the privy council. Gardiner's first act upon kissing the bible in June or July, 1934, the very first syllable that crossed his teeth after he became Premier, was to tell Carmichael to get out of the legislative buildings as fast as he could. His papers and other belongings would be sent to him but he was to get out, instantly. Carmichael had been fired so quickly that he must have thought himself struck by chain lightning.

Yet Ilsley sought out Carmichael-sought him out-and sent him and a pal (who had been a Conservative organizer for years) up to audit Jimmy's administration of the P.F.A.A. For lack of other means of self-expression, Jimmy chewed vigorously at his under-lip. And, had I noticed that the air force was putting a big training school into Diefenbaker's seat - Diefenbaker, of all squirts. Ye gods, the air force and army had plastered the constituency of Yorkton with establishments of various kinds, bringing prosperity to merchants and townsmen, etc. The Tory from Qu'Appelle could scarcely make his way through his constituency, what with war establishments. And now millions were to be spent in Diefenbaker's seat. Yorkton was immediately to the north of him; Qu'Appelle directly south; Diefenbaker to the west. The eastern boundary was Manitoba.

Yet in Jimmy's seat there is nothing-just nothing. Not a camp or a school or an establishment of any kind whatever. His constituents cannot understand this. Neither can he.

Is he awaiting the return of Chubby Power? Oh, Boy! Diefenbaker, the sour little squirt. Everyone is laughing at him.

Interesting meeting with the ladies at Winnipeg. They were objecting to higher living costs. It surprised him. It took a little while for him to catch on. He had dealt with the point. Farm prices were up. They would have to go up still more. They might as well make up their minds to that.

Talk with Joe Thorson: We were going to take steps to cut down the adverse balance with Britain. This was running above $900 millions per year. We would take over as part of our war establishments the 25 squadrons of Canadians on the R.A.F. (not all organized yet). Instead of paying only the difference in pay between the R.C.A.F. and the R.A.F. we would pay the whole shot. Would add about $250 millions per year to our cost.

Is working hard on plan to open an information bureau in New York. Charlie Vining lined up for the job but there had been many difficulties in the way. Leighton McCarthy had threatened to resign, interpreting the move as a criticism of himself. Our legation has taken the same line. This had been squared away. McCarthy had been here and just returned to Washington-satisfied with the idea.

The most difficult obstacle is the U.S. State Department. Last spring the State Department through Moffatt had made formal representations asking Canada to refrain from creating any propaganda office or agency in the U.S. or of making any conscious effort to influence U.S. opinion. One of the last letters written by Dr. Skelton, was in reply to Moffatt. Dr. Skelton said that no office of this kind was in contemplation and he would gladly promise that none would be created without prior consultation with the State Department. Approached re the N.Y office, the State Department objected firmly. King, while in London, approved, provided the U.S. State Department would also approve. He would not run counter, however, to Hull's advice. Joe thinks Hull can be brought around. If so, everything is ready for action. ...

14. 9 October 1941 [DP, QUA].

[Information in the following memorandum came from Victor Sifton and J.L. Ralston.

On 1 October 1941, Victor Sifton wrote to Colonel Ralston on the manpower problem. He began by stating his own preference for conscription as the most fair and efficient policy, but since it was likely to endanger national unity in Canada, it was best avoided as long as possible. The present policy appeared to be one of drift, and that was likely to lead quite quickly to conscription. In World War I, recruiting fell off sharply once full employment was reached, and by the autumn of 1941 Canada was again nearing full employment. Sifton urged that manpower requirements be estimated as accurately as possible, these estimates be checked against the probable source of recruits, and then a realistic objective be set and met for the three branches of the Canadian services, for the production of munitions, and for the various forms of economic aid to the Allies. For the army Sifton thought trainees the most fertile source of overseas recruits, for they were bound to serve for the duration of the war. The best policy would be to call up large numbers of trainees and then encourage them to enter active service. Many would be opposed, of course, but it would be better to try persuasion with them than face a general election on conscription.]

The letter which Victor wrote was followed by an interview [*with Colonel Ralston*]. At first everything he had said was assailed and controverted but before the end his man agreed with everything that had been written. There was then some heart-to-heart talking. Victor's man knew for an absolute certainty that King will never waver or yield in his opposition to conscription. He knows King well and there can be no mistaking his attitude. He simply will not discuss conscription. When the time of breakdown comes, our man will quit and seek other war work. For him to challenge King would cause a crisis and force an election. The result of such an election, however, would be victory for King. King is absolutely certain on this point and, as our man said, he is almost invariably right. Such an election would hopelessly divide the country and so on. Our man would not do this. ...

15. 10 October 1941 [DP, QUA].

[Information in the following memorandum came from J.L. Ralston. Joseph E. Atkinson was publisher of the Toronto Star.]

After lunch bumped into Joe Clark and gave him an earful on recruiting. Joe is the head publicity man for the army, air force etc. He took me along to see Ralston who leaves tonight for Montreal to fly tomorrow.

I had a long talk with Ralston and no doubt put up much the same kind of an argument as Victor has put up so often in the past. I do not think I made much of an impress, except for one remark he made.

Told him that I had just come back from Winnipeg and that the chief was disturbed over this continual yapping of the recruiting officers: At the same time fewer and fewer men are being called up for training. Why not call up more men and get the benefit of those who volunteer? Then use recruiting only to fill out the roster and stop this continual stressing of the failure of recruiting.

Ralston said that these statements [*about the failure of recruiting*] were in fact the recruiting campaign. I suggested that the most certain effect of the campaign was to hasten the conscription crisis.

What would we do with the trainees when they were called up? He could not get this kind of advice from his chief of staff-his technical adviser. It would be a sad waste of manpower, at this time, to have thousands of young fit men in uniform bumming around the country and a scarcity of industrial labor. This would be subterfuge and he would be caught out at once. Anyhow only about 25 per cent of the trainees were enlisting [*for overseas service*]. His earlier statement of 50 per cent had been too sanguine.

He was minister but must act upon the advice of his staff of professional soldiers. Being a civilian, he could not set aside his advis-ers simply because he disagreed with what they said. They knew: he did not know. As a fact, Crerar refused to give him any advice which would enable the present trainees to be usefully used.

Joe was not present when he discussed Crerar. But before Joe left he put in some hot shot. The Toronto situation, Joe said, is becoming acute and there is immediate danger that the *Star will* swing over to the line of the *Globe* and demand conscription. Apparently an emissary of Old Joe Atkinson was here this morning. Crerar would not advise that the nine battalions of active service men now doing coast defence should be broken up and used as reinforcements and their places taken by trainees.

Crerar would not advise that the active service men of the sixth division be used for reinforcements and the sixth be turned into a trainee division. Crerar would not agree to convert any part of our present establishment into a trainee outfit. If Crerar would do these things, the press for recruits would be vastly lightened because we would have a full division of men plus 9 battalions to proceed overseas. This would be a godsend.

But he could not get Crerar to do any of these things and, in fact, had not directly pressed him. Just could not bring himself to do so. Now I was proposing to form two or more trainee divisions for no other purpose than to get the number of recruits this would mean.

The thing went on for some time. He made no effort to conceal his dislike of Crerar but seemed equally unable to think of anything to do about it. He realized that the conscription issue is being forced to the fore but has it in his mind that when the going gets tough enough he will retire. He believes there is an anti-conscription majority in the country and so on. He is very, very sad. It was pathetic when he asked me if I thought Victor would leave him.

His problem is that wherever you turn to escape from the conscription crisis-calling more trainees, releasing men now on coast defence for overseas by breaking up units-the general staff refuse to advise and thus turn him back in on the trouble. The last thing he said was very interesting. You know, he said, the war committee of the cabinet could decide to do any of these things, and I would simply have to tell Crerar that these were my orders as well as his.

All trainees who enlist are instantly counted in the volunteers. C.D.'s point is not well taken. Sam Browne says that it is unconscionable that figures on recruiting should not include enlisted trainees. He will not believe that this is being done at Winnipeg but if so, he will have it changed at once. I think he is making inquiries. The general staff fixed the quotas for recruits [*for overseas service*] and trainees [*home defence conscripts*]. The camp capacity is 10,000 per month. They figure out how many recruits they require and then fill in the balance with trainees. The reason the call-up of trainees is growing smaller and smaller is that as they fail to make their quotas, the monthly requirements of recruits become larger and larger and, consequently, fewer trainees are needed. Did you ever hear of such a damn silly business-cutting your throat and liking it?

16. 9 October 1941 [DP, QUA].

[Information in the following memorandum came from Hector McKinnon.
Leon Henderson was head of the Price Stabilization branch of the American National Defence Advisory Commission, and subsequently made director of price administration and civilian supply. J.G. Taggart was minister of agriculture in the Saskatchewan government.]

The proposition to freeze the economy dates from last June when the Bank of Canada made representations along this line to Mr. Ilsley. Ilsley

was impressed and asked the Wartime Prices and Trade Board to consider the proposition carefully and give him a memorandum. When the Board got down to it, they could not agree in detail. There were three memos - Hector McKinnon, Fred McGregor and Dave Sim. These were turned over to Ken Taylor who was instructed to make a composite memo. The Wartime Prices Board has been itself very alarmed over the price rises and wage increases which were boosting the cost of living, and the Board had put in a strong memo to Ilsley in May urging much more drastic controls. The Board, however, had never considered the complete freezing of the economy until asked to do so by Ilsley. The memo rather opposed the Bank of Canada, pointing to the difficulties etc.

Toward the end of August, Ilsley phoned Hector and said that he ought to begin to make plans to freeze the economy. Would Hector give him a memo on the technique to be followed etc., how the board would proceed.

Ilsley received this memo about 11 o'clock on the morning of, I think, the second Monday in September. He took it at once to cabinet and after cabinet phoned Hector to say that the cabinet had approved and for the Board to go ahead full-steam with plans to freeze.

The Board at once began to plan the organization. The whole of the Birks building was expropriated and plans approved for a new administrative building. Some 3,000 employees would be required right off. Quarters had to be expropriated in every provincial capital for branch offices etc.

All this was going forward when Ilsley called Hector over and said that on second thought he believed that the proposition would have to go back to cabinet. No order had actually been passed and an order would be essential. But at the earlier cabinet meeting Mr. King, Howe, Ralston, Crerar, Gardiner and McLarty had been absent. There would have to be another cabinet discussion and McKinnon should be ready to attend.

The proposal came before the full cabinet -Gardiner and McLarty being the only absentees-a few days later. We are getting down, now, to the week ending Sept. and beginning October. At this cabinet Towers and Clark made the case for the freezing of the economy. McKinnon spoke as chairman of the board actually preparing to freeze. King alarmed and questioned McKinnon: "Are you actually preparing to do this?" McKinnon said that ne was carrying out the instructions of his minister, and Ilsley intervened to say that an earli-

er cabinet had approved and therefore he had given the instructions. But nothing had been done which committed the government. King said he hoped not.

The difficulties and advantages revealed in this discussion will be shown in the memo of the scheme itself. King was very much alarmed. Towers argued for the Baruch plan in the U.S. [*calling for a universal ceiling on prices and wages*] and suggested that if Canada acted now we might rally to the Baruch plan sufficient support to put it across in the States. But he did not point out the opposition to this plan-what Leon Henderson had said of it. He didn't mention that the Washington administration has not come out for Baruch's plan but regards it as impracticable and holds, with Henderson, that selective controls are the way of progress. Towers proposed to freeze everything - wages, salaries, prices, professional fees (he named dentists and doctors as examples), services and so on. Towers pointed out that we are about at the limit of taxation and have drawn all the benefit possible from exchange controls. These policies as anti-inflation weapons are exhausted. Economic controls must take their place. The work of the Bank of Canada is passing out of the picture and work of economic control is coming in.

McKinnon read the cabinet a memo. He did not outright oppose Towers and Clark but undoubtedly the memo argues for piecemeal control. The issue was fairly clearly drawn between:

1. Complete freezing of the economy-advocated by the Bank of Canada and Clark, and

2. Piecemeal price-fixing to prevent further increases in the cost of living and further advances in wages. This would involve the fixing of the prices of some 30 or 40 key commodities at once and oth ers as the need arose. The Prices Board, undoubtedly, favors this plan.

In council Ilsley supported Towers and Clark all out.

King deeply disturbed and extremely wary. Angus Macdonald outright opposed, particularly to the fixing of agricultural prices. T.A. prepared to consider agricultural price ceiling if wages also controlled. (This is not from T.A. whom I have not seen as yet.) Ralston and Howe for the Bank of Canada plan. Gardiner out west. King said that no decision could be reached until Gardiner had returned. Also, this matter could not be left undecided, as dribbles of it would begin getting into the newspapers, and the business and farming communities would be upset. It was a very dramatic policy and it reminded him of something Churchill had said to him: "You know, Mackenzie, flying in a bomber is

a great way for a politician to travel. It is dramatic. It is very rapid. But the only point you should bear in mind is that you must have some place to land." King said that this policy reminded him of that. It would be very dramatic. The country would cheer for it. But three months hence if the economy of the country was in chaos, the government would be cursed for lacking all sense. He would get in touch with Gardiner, and the civil servants were asked to retire.

After that cabinet, Ilsley was very sanguine. He said it was 50 to 1 for acceptance and McKinnon must get right on with organization. The Board began drawing the blueprint of an organization. There would have to be a general manager, controllers in each division, import and export boards and so forth. It was an inspiration to think of Donald Gordon as the general manager. He is the deputy governor of the Bank [of Canada]. He has been an ardent protagonist of the proposal. He put over the [Foreign] Exchange Control Board. McKinnon proposed him and Ilsley was overjoyed. Exactly the man. Towers had stressed that the Bank's work was falling off. Ilsley phoned Towers and was turned down stone-cold. Towers would not even consider the proposition. The Bank's job was to give advice but not go in and run things. Ilsley terribly dashed. Clark said he would try one last appeal but he was turned down too. Gordon said he was willing to come.

McKinnon suspected that there was perhaps a little insincerity in all this. Perhaps the Bank did not have confidence in the Board. With that in mind, he phoned Ilsley and said that, if it would help at all, he would resign the chairmanship and recommend Donald as his successor. Also, he was certain the whole Board would resign so that Donald as the chairman could have a board exactly to his liking. Ilsley said this was certainly most generous and he would try it. Towers turned this down just as decisively as the other.

They began searching for a chairman. H.R. MacMillan-Ilsley made inquiries and reported that Mr. King would not appoint him to any post under any conditions. Philip Chester-the Board thought much of him but made no recommendation. I did not ask why because my informant knew I am a friend of Philip's and I would not have got a straight answer. In desperation they hit on Walter Gordon, son of Gordon of Clarkson, Gordon, accountants, who is now in the finance department. He came over to plan the organization. They offered him the general managership and he went to Toronto to consult his dad. Phoned saying yes provided two conditions met. First was that he be vice chairman of the Board -

which was at once conceded. Second that Towers be added to the Board. McKinnon neutral to Towers except to point out to Ilsley the political consequences. He would advise Ilsley to include, as well, a labor man and a farmer. The Board as it stands is straight civil service. It seems that, if the plan goes through, Gordon's second condition unlikely to be accepted.

Taggart was phoned and flew down to be offered the food controllership. Tentatively accepted and flew out to consult Patterson. Meant, he said, foregoing the Sask premiership, as the intention is for him to replace Patterson before the next election. God knows what would happen if he took this job but he was game to take his chances. Back in Regina he got Patterson's okeh but ran into Gardiner who said that he better forget all about it as Jimmie would not continue a member of the cabinet which took control of farm prices out of the Department of Agriculture. Taggart said count him out until Jimmie was dealt with.

Meanwhile, early last Monday morning, Ilsley phoned [*McKinnon*] from Nova Scotia to say that, thinking everything over, he felt he had grossly over-rated chances of success. Now wrote these down from 50 to 1 to 10 to l. On Tuesday night he phoned again to say that "I am full of misgivings" and was frankly pessimistic of getting proposition through. Decisive cabinet meets Friday afternoon.

Another line on Gardiner contributed by Dean Shaw, a member of the Prices Board, who told his colleagues that he was stopped by Jimmie on the steps of the Confederation building a day or two before Jimmie left for the west. Jimmie said: What is this I hear about your Board controlling farm prices. Shaw replied that he assumed Jimmie had heard gossip of the ceiling proposal. I don't know what proposal I am talking about, Jimmie replied, but you can take this from me that I won't be a member of any government that removes the control of farm prices from the Department of Agriculture.

Wednesday Ilsley phoned to say cancel all plans for the ceiling. Hold everything until after Friday's meeting. He doesn't think it will go through. ...

17. 10 October 1941 [DP, QUA].
[Information in the following memorandum came from a meeting of the Wartime Prices and Trade Board at which Dexter was present.
Stuart Garson was the provincial treasurer of Manitoba.]

Hector McKinnon reported on meeting of cabinet which he had attended in the afternoon and which had approved the proposal to place a ceiling on prices. Hector said that Council met at 4:10 p.m. and agreed to policy at 6:40. Present in addition to ministers: Clark, Towers, Robertson, and himself.

King led off. Cabinet had read through twice long memo on policy. When last discussed he and Hector had been in a minority of two. Hector deprecated this statement. He was civil servant and bound to carry out any policy approved by cabinet.

King: What's bothering you most, McKinnon? Hector: Farm prices. Bothers the Board a great deal. King: I agree and I am also deeply concerned about international complications.

Robertson, when asked, said that Washington had been officially advised of the policy now under consideration and had been told that probability was it would be approved.

King suggested that cabinet examine Hector and examination continued for 1 1/2 hours. All ministers took part except Chubby who went sound asleep almost as soon as the meeting got underway and slept through practically to the end. Most active questioners were King and Crerar.

Crerar: Many things about policy he didn't like but from farmers' point of view with a wage ceiling imposed the price ceiling would be tolerable and, he thought, could be put over.

Gardiner: The proposition was new to him. Hadn't been advised and only found out when he got home. Had read all the memos carefully. He didn't know exactly what the policy would involve but he believed that, if wheat was taken out of this ceiling and dealt with separately, the proposition could be handled as suggested. Aside from wheat, farm prices were satisfactory in relation to the ceiling. Dean Shaw [*at the Prices Board meeting*]: Was anything said about the technique to be used in bonusing?

Hector: No. He had asked Gardiner how do you get a bonus back to the producer of eggs. Gardiner replied he didn't know. *[McKinnon returned to his account of the cabinet meeting.*]

King said that there was no question that wheat would be in this policy. Wheat would be dealt with separately and council would deal with it the moment this proposal was out of the way. ...

King: the most important things, now that cabinet was obviously ready for this policy, were to get the order-in-council drafted and have the public statement prepared. The statement would be most important. It must be moderate, guarded, must be in terms of under-statement not overstatement; never forget that we may fail in this policy; must make a direct appeal to every class in the country; must say we live in a changing world, a rapidly changing world; new methods imperative; old methods won't do; new methods now need-ed may be hopelessly inadequate six months from now; this is dras-tic but the alternative is inflation which must be avoided at all costs. Farmers must be told that the ceiling also extends over the things they buy; same with labor; everybody gets something out of this pol-icy. Be certain so to word statement that we have a clear way out if the thing fails. King talked for 15 minutes straight on the statement, twirling his glasses around on the braid string. At the end, he said that the whole must not run to more than two pages. At this there was a titter in the council room. King smiled broadly and added-foolscap pages, of course. The titter awoke Chubby who smiled happily at everybody and went to sleep again.

King asked if Robertson had got any reaction from Washington. No. Clark commented that he thought the U.S. would follow our lead. King said couldn't be sure of that. Hector: It will be very difficult if they don't. We put a ceiling on hides. So did they. Then they raised their ceiling. We held firm and are having the devil's time keeping hides in the country and placating our producers.

King asked how long to get things going. Hector thought a month at the least. King: Much too long.

[*At the Prices Board meeting McKinnon said his*] idea would be to announce that, say, November 15 or Dec 1 all prices shall be fixed as of the month ending Oct 10-Ilsley had volunteered this period. Hector: Cabinet clearly understood, of course, that there must be a floor as well as a ceiling. Floors urgently needed in some agricultural products. Wheat was now out but there would be others.

Dave Sim (member of Prices Board): How about manufacturers who have contracted far ahead at given prices?

Hector: We'll have to have a board for them - a special board. Dean Shaw: How about services?

Hector: Towers had weakened. Doctors, lawyers, dentists are out.

But barbers are in. Cabinet thought hair-cuts very important psychologically. Never to do let prices go up.

[*He continued his account of the cabinet meeting*.] Bryce Stewart called in. King: could he have his labor policy ready by Tuesday when this policy would be announced? No. Each provincial minister of labor was to be the chairman of a provincial board to control wages and must have them here first for discussion. King: but policy can be announced surely?

Labor policy, Stewart said, would be ceiling on all people employing 50 persons or more. After got it going cut down this fig-ure to 25 or 15.

Ilsley said he thought it certain that ceiling would be punctured. Couldn't hold it down completely, and we should think of it as something to be changed to meet uncontrollable factors. Towers-angrily: Surely you cannot contemplate puncturing the ceiling, defeating your policy.

Ilsley: To hold it steady will be impossible, in my judgment. It will have to yield.

Angus L.[Macdonald]: What if we fail? Hector: We must not contemplate failure. Ilsley: Even if we do not succeed we will get credit for trying. And if we fail we will only be back where we started from.

Hector: In respect of crown purchases, the seller will not be bound by the ceiling. That is, the government can break through the ceiling to outbid everybody else.

Howe: Certainly, I am doing it now.

[*At the Prices Board meeting*] Dean Shaw: He is doing it on two items.

Davy Sim: P.C. 7440 [*establishing guidelines for wage ceilings*] is not now being enforced. Can we be certain that the labor ceiling will be concrete and not a net? The timber controller has just been telling me that the lumber industry has consistently ignored 7440 from the beginning. Just had to or all lumbering would have stopped.

Hector: Oh yes, the labor ceiling is to be a real one. There will be a national labor board of 8 members and regional boards in each province. Provincial ministers of labor with 1 labor man and 1 employer. Policy will be worked out at Ottawa by the national board and administered by regional boards. Won't recognize wages above 7440 and won't permit price increases based on such wages. Also, employers not paying on basis of 7440 will be severely penalized. Ceiling will be 7440 plus bonuses to date.

Fred McGregor: But when 7440 bonuses are paid the ceiling will be punctured forthwith.
Hector: Not necessarily. Cabinet thinks we might squeeze the manufacturers and compel all companies who haven't adopted 7440 to absorb the added cost.

Hector had told cabinet this would be very difficult to do. DOSCO (Dominion Steel and Coal Company) says 7440 will cost them $600,000 and they haven't the money to pay it unless they get higher prices from the government.
Howe: That's only DOSCO talking. Don't pay any attention to anything they tell you.
Hector: But if they can't pay, they can't pay. Surely we must investigate and see if they're telling the truth. How can we do that when you (Howe) have all the investigators in the country?
Howe: I'd pay no attention to them at all.

[*At the Prices Board meeting*] Dean Shaw: What was said about exports? In cattle we have a quota. If we embargo exports we will lose our quota and Mexico will snap it up.
Fred McGregor: Any reference to revising the cost of living index?
Hector: No.
Dave Sim: Gardiner's agreement means we will get Taggart. (Long distance call out to Regina.)
Hector: We must also get Stuart Garson. Ilsley told me he is positively brilliant.

Board then began discussing organization problems. Decided to go back at Ilsley for Donald Gordon. Taggart would be controller of foods, not general manager. Must have Donald for general manager.

Clothing problem-should fabrics be classed as clothing or moved back to the cloth stage? Don't take Davy Dick the wool controller as the textile controller. He is a finisher and dyer and already some of the trade are switching business to his companies to curry favor. Each textile division should be carried up to cloth stage. Below cloth each should be kept separate-cottons, wools, cross fibres, art[*ificial*?] silks - an administrator for each one. Then split clothing into men's and boys', cloak and suit trade etc. Tops have to be separate. Must under no circumstances permit a man in the trade to be the controller of it. Must have completely neutral man at top. Let the trade supply the lower ranks.

Taggart would have to find administrators for meats, bread and bakery, fish, oils, flour and feed, fruit and vegs, tea, coffee, spices. Probably need a dozen and each would have to have a large staff.

All these controls, however, must stop at the point where the articles no longer change their form or character. After that point, all you need are price controllers to police prices-retail and wholesale. Fred McGregor: Will you compel every merchant to sell at former prices and not attempt a uniform price?

Dean Shaw: But this would mean 10,000 different prices.

Hector: Howe said in council we might zone prices, and merchants could take the highest price in their zone, if they desired to boost their prices to the limit of the law. If you freeze on the basis of individual prices you will have 100,000 not 10,000 different prices.

Ken Taylor: To take care of merchants caught off base we should permit them to exceed the ceiling to the extent that they can make 5 per cent profit on their actual cost. Each merchant would have to prove his cost. The ceiling, of course, is only a maximum. Anyone may sell below it.

Davy Sim: This would mean a 5 per cent increase in retail prices right off.

Ken: I don't agree.

Davy: What base-period should we take? I think as close to present as possible. How about first 15 days in October? These prices are in the minds of housewives and they are our best police force.

Hector: This would be very bad for butter and anyhow council wants us to take a month as the base.

Ken Taylor: Leon Henderson suggests July 1941. The British take August 1939. The advantage of Sept would be that butter would be about 26 1/2 but if you took October 1-10 it would be only 32. Hector: Of course there will be a minimum.

Fred: What about eggs which advance in price in winter and must do so as the costs increase? And what about the manufacturers' prices? Every manufacturer has a dozen prices based on volume of pur-chase.

Hector: Quite true. Can we tie them down to customers and quanti-ties?

Dean Shaw: Coarse grains will be hit hard if you take September and not today. This would be very bad. What about public markets, you cannot police them?

Davy: No, and we can't police country sales.

Ken: We must exempt a wide range of stuff such as they sell in Woolworth's and Kresge's-novelties, toys.

Shaw: A Jew buyer goes out and buys a flock of hens and the seller screams.

Davy: All perishables must be exempt and farmers selling their own products. Also, a wide range of millinery.

Hector phones Ilsley re renewing the demand for Donald Gordon. Reports after. Told Ilsley that Towers can't resist this demand as he is the chief protagonist of the ceiling. He has said ceil ing or chaos and then refuses to lend Donald. Ilsley replies that he won't go through this agony of getting down on his knees to Towers again. Last Saturday was like taking the blood out of his body-pleading and pleading. I can't stand this, I don't want to do it. He has turned me down. Don't drag this thing up. I can't stand it. ... Hector remarks that Ilsley behaves like a petulant child. Davy says that in his presence Towers has so patronized Ilsley that he (Davy) could have slapped him down.

Going home, Hector says that Ilsley was death on offering the job to Phil Chester. Said he was masterful, difficult to work with, could never get along with the Board or with the government, had been most difficult with Ralston [*as master general of ordnance*].

Hector said life was difficult. He had a nine-headed carbuncle on the back of his neck. Phyllis has no help at home. Hector gets up at 6:30 every morning and makes breakfast and sees the kids are ready for school. He gets home for dinner to help Phyllis wash up before he returns to his job of regimenting the Canadian economy. I agreed with him.

I saw Ilsley this morning. There is to be no increase in wheat price. Ilsley said he had fought Gardiner on this issue from the moment he became minister of finance and he thought he had fought Jimmie right into the ground. He (Jimmie) is the most persevering man I know, but I think I am the most stubborn and obstinate man he has ever known. The ceiling will apply to wheat but there will be a bonus on an acreage basis which will be the equivalent of, say, 95 cent wheat.

18. Letter from G.V Ferguson to Grant Dexter, 13 October 1941 [DP, QUA].

Your memos have been our meat and drink these past three days and the account you give of the shaping of events is extraordinary and vivid and complete. Needless to say we chuckled over the Minister for Air's somnolence.

I do not know where we are going to land up in all this business, but I do know we have to make the attempt. I've studied and brood-ed over the two alternatives: the freeze and the selective system, and though I'm greatly under the influence of Towers's lucidity, I'm bound to say I think the Govt. is taking the better of the two courses. For this reason: if selection fails, we are in the soup, time lost and the economy so distorted that all stabilization goes down the drain. Whereas, if freezing fails, we are in the same soup, but if it succeeds we have achieved something.

What bothers me most in both cases is the question of personnel. I feel myself that Donald Gordon, who believes in the attempt and knows something about it, is the man; but if Towers is obdurate, there's an end of it. The man has got to be tough and knowledgeable, but chiefly tough.

I am reading and re-reading your stuff, but I am going to ask you to keep in close touch and make suggestions about lines to take. The Chief finds the whole thing so outlandish and so distasteful to every-
thing he has believed in that I think what I say is likely to go with him. I don't like being out on a limb and if you and Victor could get together and pass on help and advice I would be very grateful. We published on Sat. a preliminary piece, approving the Govt's apparent courage, and I have a feeling our next piece shd. be further warnings of what this is going to mean, e.g. preparation of the public and dis-cussion of alternatives. In this we can discuss the selective system ... and approve the freeze once more. Would this be in line?

The other matter which we will have to start writing on is of course this manpower business. As V foresaw, the Govt. is heading straight into hell. Brooke Claxton tells me recruiting in MD 4 (Montreal etc.) is at a standstill. He told King this on Thursday last and King looked startled and said everyone had told him things were fine, including Godbout with whom he had dined the night before!

My idea would be for the Govt. to take its courage in both hands, point to the fine recruiting for air force and navy, and just go for the big army school hammer and tongs-and at the same time to publish all they can find on manpower and begin, as they shd. have done a year or more ago, education about the drain of manpower in industry. But it seems to me almost vital that the big-army school be beaten into the ground though I know V thinks the pass is sold.

Brooke believes the only way of re-capturing Quebec is for members and ministers alike to get out and about without cessation, talking and educating the people and selling the bill of goods to the church. Two

Quebec bishops are violently anti-war and these citizens will have to be dealt with, *so oder so* [*in one way or another*].

We are thinking of talking out pretty frankly abt. the people who are advocating conscription without any apparent sense of the disas-ter that might result to the war effort as a whole if it is sharply raised as an issue. The Chief says he is entitled to do this, because he led the parade in 1917 and looking back at it sees that it did not increase the effort and bedevilled our political situation for 20 odd years.

... Give my love to that destructive and quarrelsome fellow, V, and show him this letter, and tell him for God's sake to keep in touch with us-if nothing else, tell him to phone us if he gets any ideas. We're in deep waters and none too well informed about the conse-quences of the policies we are supporting!

... Chief and I agree that the gent needed to run the controls is the M.G.O. [Victor Sifton] but I suppose that's out. I wish it were not. He has just the combination of good sense, political flair and toughness to do the trick, and I doubt very much if there is anything like enough iron in the souls of the present personnel of the Wartime Prices Board: they should have been planning this thing in detail last January, just as the Bank had its foreign exchange control ready when war broke out. Ah, well, as the sage remarks.

19. Letter from G.V Ferguson to Grant Dexter, 1 November 1941 [DP, QUA].
[Dave Rogers was the editor of the Regina *Leader Post*.]

... Your piece on inflation-what is inflation?-I did not like for several reasons. One of these is that you elevate inflation into a psy-chological phrase and this may confuse people. The other is that you say, if inflation develops, it will destroy national unity and inflict unspeakable torture, and these phrases are dangerous to use. I've felt for a long time that we should moderate our language about infla-tion: sticking of course to the point that it's damn bad and the worst way to finance a war, but avoiding phrases such as "complete chaos" and "torture" and so on; for we may have to try and win the war by inflation after all, and it does not mean the end of the world.

As to the attainment of maximum production, I think it's very valuable to cite the trouble the British are having in attempting to transfer industry and workers. Dave Rogers was struck by this. He said that here we are declaring widely that conscription is the answer. In

England they have it and the trouble persists. It's true that we keep talking about the scientific organization of manpower, but that's just a polite way of saying conscription, and we continue to fight a rear-guard action on that issue-and I think rightly so. But we are going to land ourselves into the cleft stick of our own logic before we are through. That won't worry me, for I still think the rear guard action is the right one. What maddens me is the way the Government keep on expanding everything and do nothing to pave the way for the ultimate essential steps that will have to be taken in order to fulfil the programme.

Can the necessary industrial transfer take place without the full sway of the profit motive? I don't know. But we are all agreed that if we let that motive take first place, then we explode into inflation. Hence we have to try the other line, and I'm blessed if I can see how we can follow the other line through without ordering people to do this and that; and of course the Govt. will have to pay the shot of transfer of workers and so on and face the temporary dislocations that the transfers cause.

If there is a deal with labor to permit wage increases we must be ready to scrap about it, as you say. It would send the farmers crazy and we would start in on the vicious circle at once that we are trying to prevent. ...

20. Letter from Grant Dexter to G.V Ferguson, 3 November 1941 [DP, QUA].

... I disagree with you entirely re inflation which I think is as much a psychological as a material problem. I believe absolutely that, if inflation gets under way in this war, national unity and every thing else worth talking about will be destroyed. In this, perhaps, I have been affected by the confidential memos put in to cabinet by Towers and Mackintosh. The case, as they put it for ceilings, was do this or face chaos. Far from moderating our language about inflation I would go right ahead declaring the truth as we believe it-that any amount of control, self-denial, self-discipline is better than inflation. Has not this been our firm, resolute policy-agin inflation-throughout the depression, the Aberhart business and all? We did not compromise then-why not go straight ahead now? The piece I wrote was an attempt to show that inflation must continue to exist while we are fighting this war; that we can control but not cure it. The only real cure is plenty of consumers'

goods and these cannot be produced while we are producing for war.

I would rule out inflation entirely as a "way to finance a war." It was done in the past but nothing in our past is comparable with this war. The 1914-1918 drain was never more than 10 per cent of the national income. To try and inflate our way through this war would mean the bankruptcy of the country and for us I believe it would mean as much the end of things as it did for Germany.

We are going to get some inflation whether we like it or not but I do not think that invalidates my point that we must resist it for all we are worth. ...

21. 4 November 1941 [DP, QUA].

[Information in the following memorandum came from William Marchington of the Toronto *Globe and Mail*. Gordon Graydon was Conservative member of parliament for Peel, Ontario and national chairman of the Conservative Party, 1940-42. Sidney E. Smith was president of the University of Manitoba. Errick Willis had been provincial Conservative leader in Manitoba since 1936. J.R. MacNichol was MP for Davenport, Ontario.]

The reports that Bracken might be offered the Tory leadership have seemed outlandish to me, but I've been running into the odd leading Tory since Parliament came back, and the reports undoubtedly represent accurately the views of a very important number of Conservatives-particularly the wealthier men.

The whole position is very interesting. Hanson never desired to be more than a caretaker-age, health and so on fixed iron-clad limits to his ambitions. But his health has improved a good deal from, say, Sept. 1940 to last August, and he got a kind of notion that he should hang on maybe for a year or two.

In the spring of 1941 a beginning at reorganization was made. Funds were collected and I expect Jim Macdonnell was the key man in this work. The plan was to develop an organization, get an orga nizer in the spring of 1941 and hold a meeting of the national executive this October and then decide on a national convention-when and where.

Hanson decided, prior to going to England, that the executive meeting could be whittled down to a meeting between a very few and the whole plan delayed at least a year. He was unaware, poor chap, that his leadership had been a progressive failure, that the party in and out of Parliament were becoming more and more eager to heave him out. His

decision to slip over the executive meeting detonated this discontent. Hanson was unaware of the explosion because he flew to England.

The trip over was not too bad but the return very nearly killed him. The high altitude markedly affected his heart. The cold was intense and the heart condition made for poor circulation. He suffered so intensely that he has not yet recovered. Indeed, some people think he is very ill, in fact that he is dying.

In this condition he dragged himself into action. At Toronto he met the irate rank and file and was told bluntly that his leadership was a failure; that a new leader must be chosen with all speed; that the executive committee must be held this fall and a national con-vention perhaps in January. The shock has been very great. Hanson has become a pathetic figure.

The party in and out of parliament has come to life and the town is fairly sizzling. The executive meeting has been broadened into an executive plus the parliamentary party, some 200 in all, and will be held Friday.

There are many currents of opinion. The Parliament lads and the group which have so far put up most of the money have been at outs. The outsiders desired Rod Finlayson to be organizer. He was brought down but the Tory members would have none of him and put in Graydon.

There are groups that favor Drew, MacPherson and Smith. Jim Macdonnell is supposed to be Drew's strongest supporter (I am told this but don't believe it) and Hanson is believed to favor him. Drew,
I think, has only an outside chance. Murdo [*MacPherson*] has the support of most of the members here and a powerful following in the party outside. Sidney Smith has also very good support. Old J.R. MacNichol is for Sidney and is a very artful wangler. I think both Drew and Murdo would get little support from Quebec. Maybe Smith would - I do not know.

The Bracken drive has blown up quite unexpectedly. Errick Willis is one great Bracken-booster. I know this for a fact, but do not pretend to know the reason why. Bracken is being put forward strongly by wealthy Conservatives and their argument runs this way: The Conservative party must reorganize and prepare to take office with all speed. The present government is definitely on the skids. It will begin, has already begun, to lose popularity. The ceilings will be so difficult to administer that animosities will be created all over the country.

What kind of government is needed?

The tariff can be ignored as an issue. Canadian industry will emerge from this war so much stronger and larger that it will not need to fear competition-except possibly United States competition. There will never again be need for high tariffs.

No, the real peril of the future is not in trade and tariff policy but in monetary policy. The dangerous blokes are the Aberharts and Hepburns. You might say that Abie was a local phenomenon but look how soft money caught hold in rural Ontario under Mitch? The danger is very real and the Tory party must seek out a man who can meet Abie or Mitch in rural Canada. The man, obviously, is Bracken. He has come through the past 11 years without a blemish and has carried his farmers along with him. He has held Social Credit in check and so on.

One prominent Ontario Conservative whose identity I have not been able to establish, (but the information is completely reliable) said that he hadn't contributed since R.B. [*Bennett*] quit because he could not see any return for his money-neither Manion or Hanson were worth a nickel. If Bracken became leader he would pay up arrears as well as current dues-to the extent of $250,000 in cash.

No one has consulted Bracken so far as I can discover. But some reliance is placed in the fact that he knows what is being said and has never raised a finger to say he is not interested.

Sensing the urgency of the situation, the Drew crowd is putting on something of a drive. Geo. McCullagh is an ardent supporter of Drew's and is responsible for the *Globe's* intervention. It is generally realized that Drew cannot carry a convention now. The plan is to get a temporary leader in place of Hanson, postpone the convention for a couple of years, bring Drew into the Commons forthwith and groom him as the Crown Prince. Meighen is the temporary leader, but Bill Marchington, who is here, tells me that he went to see Meighen at McCullagh's request and Meighen refuses to have anything to do with the plan. He says he is too old to lead the Commons. If he were 20 years younger! He could lay aside his problems then and get to sleep. Now he lies awake and worries all night.

Judith Robinson commented (she is here for a few days): "Well, if the Tories are perfectly sure the party is dead, Arthur Meighen would make a splendid headstone". ...

22. 7 November 1941 [DP, QUA].
[Information in the following memorandum probably came from T.A. Crerar.]

Hyde Park conversations. King has told something of his talks to various colleagues, etc.

King thinks conscription talk stupid and due largely to habit of people of rivetting their eyes on Europe. They forget the Pacific. Roosevelt told him that war between the United States and Japan regarded as certain and almost certain to come within 30 days. This will mean radical changes in priorities and this was discussed. We will have to put two or three divisions, perhaps more, on the Pacific coast, as they think Japan very likely to attempt a diversion for the purpose of compelling North America to ease off support for Britain and Russia and thus help Hitler. The National [*Resources*] Mobilization Act will be used for this purpose. Many thousands of young men will be called up. We will have to equip them and therefore will have to cut down to some extent our aid to Britain. The realization of the Pacific peril, Mr. King thinks, will put an end to talk of conscription for overseas service.

United States falling behind in deliveries. Newfoundland a danger-point. They have reason to think that German planes are now able to bomb air bases in Newfoundland. To protect these bases it is now necessary to build air fields for fighter machines and send fighter crew and ships to do the job. These supplies have got to come from the United States and great difficulty is being experienced. Submarines now operating in Straits of Belle Isle and between our coast and Newfoundland. One of the ships sunk carried cargo for these fighter air fields.

Grave doubt here that Moncton, which is a vital railway bottle-neck, is now safe.

I can’t believe that transatlantic bombing is really efficient. Germans might try this as a last resort to scare the eastern seaboard - New York, etc., but I can’t believe it will mean any more than the transatlantic submarine service in the last war.

When you come to think of it, Japan’s entry will be of tremendous aid to Hitler. We will just have to protect the Pacific coast.

23. 10 November 1941 [DP, QUA].

[Information in the following memorandum came from Hector McKinnon, Victor Sifton, Mackenzie King, T.A. Crerar, Murdo MacPherson, C.L. Burton, president of the Robert Simpson Company, and Bruce Hutchison. Charles Vining took the job with the Prices Board and went on to head the Wartime Information Board. Lapointe went into hospital in Montreal in the first week of November and died on November 26. F.C. Mears was the Ottawa correspondent of the *Montreal Gazette*. Roy Brown was the senior editor of the *Vancouver Sun*.]

A hectic day. The price ceiling situation of which I wrote hastily last night working out.

Best tell this thing from the beginning. The original split in opinion has continued. The Bank of Canada, Cliff Clark and Bill Mackintosh, with much less emphasis on Bill, are for the concrete, unyielding ceiling. The Wartime Prices and Trade Board were for the selective ceiling and when this was beaten they desired leeway of 10 per cent or so to adjust prices to prevent undue hardships, breakdowns and perhaps, chaos. As you know, the Bank of Canada has been of the view that the McKinnon Board was not competent to do this job, and Towers has resisted every indication of adjustment in prices. Towers was driving for Philip C[*hester*] as the genera[manager (it would have meant chairman), but Ralston and Ilsley were opposed and they not only killed this idea - though I do not think Philip would have come anyhow-but they got King to compel Towers to surrender Donald Gordon, whose appointment was announced this morning.

Meantime the [*Prices*] Board has been trying to go ahead, always unsure of its permanence. They have appointed a dozen or more administrators - retail trade, wholesale trade, textiles, sugar and so on. These administrators sat with the Board last Thursday, Friday and Saturday. They are all experts in their lines and had made surveys of the effect of the ceiling in their fields. They agreed that a rigid ceiling was impossible. Costs of raw materials have advanced and to freeze prices as is proposed would mean that secondary manufacturers could not produce without a loss; that the wholesale and retail trade would be thrown into great confusion. They drew up a report which they read to the Board stating that if the rigid ceiling is enforced, it will mean the closing down of, I think, 70 per cent of industry (it seemed very high to me) and all the retailers except the large companies with sufficient capital to absorb the loss. The Board came to no conclusion. Saturday afternoon I was asked to drop into the Chateau and see Mr. C.L. Burton of Simpson's. I found Mr. Burton and his son - who is one of the

administrators-and another gentleman there, comfy and nice, drinks and so on. I met Freddy Mears coming out and gath-ered that Marchington and some others had been in. Mr. Burton proceeded to say what chaos would result from the rigid enforcement of the ceiling and his son read me the confidential report and said that the administrators had pretty well agreed to quit if the Board insisted on going through with it. They wanted anti- rigid-ceiling publicity.

I was thunderstruck at this method of procedure. Saw Hector McK Sunday morning. He was terribly shocked. Had told the administrators last thing Saturday that they were now civil servants and bound not to talk in public etc. etc. The Gazette goes to town tomorrow. Haven't seen the Toronto papers.

Meantime Donald [*Gordon*] was taking over-for that is what it means-and he called in Brucie and asked him to take over public relations. Brucie suggested me, but Donald didn't agree (showing how wise he is), and Brucie asked for a little time to think it over. Brucie would make an ideal public relations man, though it might break him down, but it seemed to me much easier to get a public relations man than to replace him as the editor of the [*Vancouver*] Sun. He had been talking about the Sun and telling me how difficult it was to keep Roy Brown on the rails. Brown had wanted to support Pattullo on the Sirois report etc. etc. down to a few days ago when Brown had written a leader assailing King and demanding conscription from the Conservative party - under Meighen or another. ...

We walked over to see Victor who said that on balance Brucie was doing much more vital work on the Sun than he would do on the price ceiling. Thereafter we put in for Willie King and saw him early this afternoon. I put the case very colorlessly, not forgetting that the Sun and others might be putting the boots to Willie within a month or two. King saw the point at once, called in Ilsley, Joe Thorson and Gordon and a little while later gave Brucie a release. It is conditional upon Charles Vining taking the job.

King was informative. Roosevelt asked him not to set up an information office in the U.S.-asked him as a personal favor. Roosevelt would not make any formal request but said that the British office and the Australian show had frequently caused him the deepest embarrassment and he would rather we didn't do it. He is set-ting up some sort of an information circus of his own and wouldn't mind King sending a man to work in it, while he might send a man to our information bureau. But please do not open an office.

King was sorry, he said, having earlier committed himself to Vining. But what could one do?

He wanted Bruce to stay on the job. The Pacific situation and the war itself were very, very critical. He believed Japan would be at war within a week or ten days. The Chinese government were threat ening to capitulate unless we got more supplies and equipment to them. Stalin was demanding a western front; all-out air attacks; immense amounts of supplies and equipment. If China collapsed and we were unable to meet Stalin's demands, he might capitulate also. This is the picture at its darkest. But we may be sure that Japan will attempt raids on the Pacific coast. Then there is Meighen. He is deeply disturbed about Meighen. This is a beat-King move on the part of his most bitter opponents. It is backed by the Gazette, the C.PR., the Financial Post crowd, the Globe and so on. It is a last stand by wealthy Tories to stave off the new order-to retain their privileges, and so on. It makes the Quebec situation completely impossible and may well divide the country right down the middle.

Had a long talk with T.A. earlier. We were swapping information on the Conservative show. I spent Saturday evening with Murdo MacPherson and had been chatting with Conservatives.

The western Tories and the Maritimers were broken-hearted at the decision. They knew they had been tricked and double-crossed. Rod Finlayson walked out of the conference Saturday morning and was got back with difficulty. They came here to fix the date of the convention and without any inkling that a new leader would be chosen. Murdo said that it was clear from the outset that the Tory Senators, plus the Toronto machine and the Meighenites in the Commons were in control. They numbered about 85 out of the 150 present and they packed a majority on the nominating committee etc. They were for Meighen throughout the conference.

Mitch is also in on this move. He has become a friend of Meighen's and it is agreed that at the right moment Mitch will throw his hat in the ring and help on with a national government. Meighen had been out to Winnipeg to see Bracken with the same idea in mind. This, apparently, did not work.

T.A. believes that hostility to King is the base of the new move and he fears that Meighen will split the country wide open. King is also afraid of this. T.A. says that the situation is further complicated by the illness of Cardin who is unlikely ever to be back and of Lapointe who has gone to hospital in Montreal with kidney trouble and the trouble you take insulin for. King was phoning Godbout when we left.

Please advise your views re Meighen. I have a complete docket on him, having always filed his speeches. There is the Hamilton speech and the Toronto speech and the defence of this at the 1927 convention. There is his attitude in favor of the acquisition of the C.P.R. on the Beatty line, his "we must have profit" argument against the 75 per cent Excess Profits Tax (not 100 per cent, my dear), and his statement that unless we could guarantee a capitalist state he wasn't in favor of fighting the war etc. etc. I do suggest that a purely objective outline of Meighen's past opinions would be very much in order. His record in the Senate since the outbreak of war has been that of an old scold.

Alex Johnston says he knows of his own knowledge that wealthy Tories like Jimmie Duncan and H.R. MacMillan are back of the Meighen move and are ready to jump in when the time comes-preferably after the war is over.

All this has been a busy day and no real work done. Victor was remarking the other day that he now realizes, what with the Japan business etc., that his chances of getting out of this place are nil.

24.18 November 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Victor Sifton. P.J.A. Cardin, the second-ranking French Canadian in the government, had been in poor health for some time. It was not expected that he could continue in office much longer. Rev. J.R. Mutchmore was secretary of the Board of Evangelism and Social Service of the United Church of Canada. Rev. T.T. Shields was minister of the Jarvis St. Baptist Church, Toronto, and a prominent anti-Catholic. The manpower report, submitted in October 1941, had been prepared by J.A. Walker and T.A. Robinson, the director and secretary of the Labour Supply Investigation Committee. L.A. Mutch was Liberal MP for Winnipeg South. H. Leader was Liberal MP for Portage la Prairie.]

Conversation this morning with T.A. King told him yesterday, in strictest confidence, that Lapointe has cancer and cannot live longer than a matter of weeks. He didn't want me to repeat this to anyone and I haven't except to you and Victor. This is a desperate blow to King, and T.A. thinks it is strongly coloring his line of thought on conscription.

T.A. is opposed to conscription because it would hurt not help our war effort. Our job isn't to dig out more soldiers but to put out more tanks, guns etc. There are millions of men ready and eager to use the arms if we can supply them. Why divert these weapons and this equipment for trainees here who cannot be ready to meet the enemy for

a year or two? If necessary he would break up the sixth division and replace it by a trainee division, thus meeting shortages in recruits. He thinks the agitation for a larger army, the quotas fixed for recruiting, is a ramp by the generals of our own and the British army. He suspects that in our "ancillary" detachments we already have a much larger skeleton army than there are divisions. There are probably enough ancillary units to handle a six-division army in Britain.

The loss of Lapointe and Cardin makes it infinitely more difficult for King to deal with Quebec.

After his return from England, King told the cabinet that he had told Churchill that the issue of conscription was coming up in Canada. Churchill had said that it would be a great pity to divide the country on such an issue and had instanced his own treatment of northern Ireland etc. King thinks that Churchill spoke strongly in this sense to Hanson and that this is one of the reasons why Hanson hedged at Toronto.

If there has to be a show-down, says T.A., he believes King will come out for a plebiscite and will take the position that, if conscription carries, he will retire and some other leader will have to come forward to carry it out. Having done so, he will probably take no part in the campaign. Under such circumstances, T.A. thinks conscription would be licked.

The party caucus on last Friday was unanimously for King and his attitude. The Liberals believe that all necessary recruits can be obtained for some time to come if the age limit under the mobiliza tion act is raised. The only men in Manitoba who might bolt are Mutch and Harry Leader, whose son is in the forces.

T.A. read me a letter from Mutchmore of the United Church, Toronto, to the effect that the conscription sentiment was finding expression in a very powerful Protestant movement. It was unbeliev able what use was being made of the mass which the Roman Catholics held under the Peace Tower last summer. A Protestant league is being formed and in the Globe of last Saturday an adver-tisement appears of a mass meeting in Massey Hall to discuss who is opposing conscription-who are the saboteurs of our war effort. Speakers include our friend Shields. Mutchmore is so concerned about this movement and the rapidity with which it is spreading that he pleaded for some act of the government which could be used to resist it. He strongly urged a temperance move. Beer consumption has gone up from 27 to 40 gallons in Ontario, and Ilsley's war tax has made no difference. Why not ban

all liquor advertising or increase the tax?

Victor has laid hands on the manpower report. It is a volume about an inch and a half thick and he doesn't know who did it. The report finds that there remain available for military service in Canada 600,000 men. The new generation coming in is balanced by the old one going out so that the 600,000 is the maximum figure. The experts who did the report say that this figure of 600,000 is a scientific one and represents the absolute limit. It is, they say, like the scientists' zero which they know exists but which they have never been able to get to.

Victor thinks that for practical purposes you might cut this figure about in half. The bulk of this additional manpower is only to be obtained by making all the transfers-using women instead of men, old men instead of young ones, the unfit instead of the fit etc. etc.

He could not remember the figures exactly but roughly, the pool is divided: 45,000 in the Maritimes; 206,000 in Quebec; 190,000 in Ontario; 100,000 in the prairie provinces, 40,000 in British Columbia. He is sure of Ontario and Quebec and more sure of the Maritime figure than that of the western divisions.

This is pretty serious. The army, at present establishment requires around 90,000 per year; the air force 36,000 and the navy, say, 12,000. One third of all recruits must be cut down for physical unfitness-that is the record to date and it will probably get worse instead of better as we work down toward the end of the supply. He figures we have about two years supply for the present establishment.

Re Lapointe: it is clear of course that Cardin is finished and will not be back in the cabinet.

25.19 November 1941 [DP, QUA].

[Information in the following memorandum came from Philip Chester and Fred A. McGregor.]

Saw Philip for a bit yesterday afternoon and found him open-minded, undecided, re prospect facing price ceiling. It can be made to work but time to plan and prepare personnel etc. indispensable. No planning done (Cliff Clark, you remember, only thinking about it last July and August) and consequently fearful confusion in public mind, in government and in personnel trying to enforce the ceiling.

Spent this morning with Fred McGregor going over all that has happened since I quit sitting with the Board.

Donald [*Gordon*] came in on Saturday, Nov. 8, as associate chairman, and since Nov. 9 the Board, which had been the agency of enforcement, became a directorate like Bank of Canada directorate... and enforcement was taken over by Donald. Hector [*McKinnon*] appears to have had something akin to a breakdown. His spirit has been broken. Whether he will recover without a long holiday, nobody can guess. He is sitting in with Donald but really is playing no part.

Rules, regulations, penalties, etc. being drafted now by Donald and go to Board tomorrow night and thence to government. Meantime practical difficulties growing greater and political difficulties emerging on scale likely to chill stoutest heart.

Did you see that the retail merchants came en masse and made submission declaring for piecemeal enforcement? The consequence of a cement ceiling, they said, would be bankruptcy for some 60 per cent of retail trade. ...

Gordon, to the extent that the Board has his confidence, seems to have discovered to his own satisfaction that there will have to be large compensation payments although no technique can be discovered to take care of the small retailer whose goods in stock cost him more than he can sell them for under the ceiling. They are getting down to formulae for wholesalers and manufacturers and importers.

The amounts will be very, very large and in every case the question of necessity of the goods arises: is this kind of goods essential-or the other?

The Board is to be increased by the addition of young [*Walter*] Gordon of Finance, Bryce Stewart of Labor, Bouchard of Agriculture and someone else. This means that the Board will become a directorate and have nothing to do with enforcement. It is to be a dictating job and Donald is the dictator. Fred is in agreement with this but foresees desperate troubles.

Handouts-Howe has already been giving subsidies with a generous hand. To keep down steel prices he has given Algoma $5 millions; Canada Steel $6 millions; Dominion Iron and Steel $6 millions. This very confidential.

What will farmers say?

Handouts are given via taxation and by means of added depreciation. Gordon considering all kinds of methods - take off tariff (good); depreciation; rebates of Excess Profits Tax and so on. Fred thinks that handouts are dynamite politically.

Second point of criticism which is developing ... is that the Bank of Canada through Donald Gordon has in reality taken over the economic control of Canada. Banking and the big interest quarters generally, as you know, have regarded Towers and Co. as dangerous young revolutionaries and this latest development is being viewed with the greatest alarm. Meighen is understood to share this alarm 100 per cent. I have been an alarmist on this phase since the Meighen business began and I am getting more so.

The third point ties in with the second. You could put over an economic dictatorship easily enough if there was no parliamentary opposition. It becomes increasingly difficult as a strong parliamentary opposition arises, and a price ceiling I take it is like a dyke, once breached it crumbles away.

There are many, many little men who are going to be hurt. They will be the ones who will have to be policed, prosecuted and punished. Their defence will be self-preservation. I take it from Fred that the plight of these little chaps is not unreal; it is real. You will have to punish a chap for doing what is vital to his continuance in business and there will be endless difficulties in most lines in proving your case. Is it a comparable article, and so on? You will have to police adulteration (difficult I assume in any manifestation) of goods. Short-weighting and all the rest of it comes into the picture.

And every fellow who is hurt will have a saviour in Arthur Meighen, a rallying point, an inspiration to rebellion, an assurer of the injustice of the government.

Equally fundamental is the deciding of what you will bonus, and what you won't bonus-what is essential and what isn't. Who decides? The dictator? The Board and the government? The political pressures are easily discernable. And, being in the business of shovelling out public funds, who deals with the claims for equality of treatment such as wheat farmers will raise?

... I've to make a speech this afternoon and clean forgot about it until now. My assignment is to talk the Daughters of the well-known Empire back into the League of Nations Society. Am going to denounce W.L.M.K., Dandurand and so on, and point out that, having assured Quebec officially (as Dandurand did in his years at Geneva) that we went into 1914-1918 not out of self-interest but out of sentiment and having told Quebec 1918-1939 that we lived in a fireproof house and could fight or not as we pleased, we should not now blame Quebeckers for failing to perceive the world significance of the war and for opposing conscription. They are simply reacting

sincerely to the leadership consistently given to them by our governments from 1918 onwards. ...

P.S. Donald went to Ilsley last night and said he couldn't function properly unless given the full chairmanship. Ilsley demurred-why hadn't he thought of this before etc.-but agreed if Donald could manage Hector, it would be okeh. Donald went back and hit Hector like a 9.2 shell. Hector resigned and Donald's now chairman. Terrible soreness and hatred all round as a result. Hector is supposed to run export-import boards but this only a let down. Hector is known and trusted by all importing and manufacturing interests in Canada. Dave Sim is equally well known to business generally through excise and sales tax. I am afraid Donald has made things very hard for himself and the gov't. Cannot understand it, as there was no split on policy and no words. Hector is the easiest person in the world to get on with.

26. 20 November 1941 [DP, QUA].

[Information in the following memorandum came from Victor Sifton. The availability of manpower was an inherently complicated question, nowhere more so than in Quebec. By the end of the war Quebec had contributed 12,000 men to the Royal Canadian Navy and 25,000 to the Royal Canadian Air Force, but there is no way of knowing how many were English- speaking and how many were French-speaking.]

Dear Chief: following our talk last Saturday morning.

Victor conferred with Ralston Tuesday night. The plan as placed before him by Harry Crerar calls for an overseas army instead of a corps. The army would consist of an infantry corps of three divisions plus two tank brigades and an armoured corps consisting of two armoured divisions. This would mean raising an additional armoured division and a tank brigade. To do this would mean raising 150,000 men in the next twelve months.

Present requirements are for about 7,000 men per month or say 90,000 men per year. Crerar proposes raising 40,000 by compulsion for home defence, leaving 110,000 for overseas to be raised by enlistment, unless conscription is extended [to overseas service]. This is very little more, he argues, than the present requirement.

Victor strongly opposed this proposal. He told Ralston that the manpower study reveals 600,000 fighting men remaining, of which 209,000 are in Quebec. Of the 600,000, the experts have set aside 200,000 for the air force and the navy. Because the air force lads must have senior matriculation and be fluent in English, Quebec has made

practically no contribution to it. Quebec has also given practically no men to the navy.

In effect, this means that the army must take the Quebeckers and therefore Ralston must realize that his capital of manpower is 400,000 of which 209,000 is in Quebec. Victor pointed this out to him, that he must draw French Canadians man for man with English-speaking boys.

If he took 150,000 out of this pool, he would have 250,000 left and would be unable, in any event, to maintain the capital force [of 250,000] for longer than 2 years at most. The yearly reinforcements would run to about 125,000 per year. To get these men all kinds of transfers would be necessary-women for men, and so on.

Ralston took the plan to cabinet Wednesday (yesterday) and we have not heard what became of it. He put it forward not as his own but as Crerar's. T.A. and others are at St. Lin at the Laurier celebration today but we will know tomorrow. Feel certain the plan will be turned down cold. Ralston very down-hearted but Victor thinks he will accept cabinet's judgment. Ralston, himself, isn't very keen on the plan and realizes that it is a concoction of the brass-hats.

Recruiting is a bit better. There is, apparently, a seasonal lift and the inflow shows it.

I send this to you direct for the reason that Victor does not want anyone else to know.

27. 3 December 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar. On November 29 King offered a cabinet post to Premier Godbout. When Godbout declined, he invited Louis St. Laurent who was sworn in as minister of justice on December 10.]

The [*Walker-Robinson*] manpower report has been before cabinet Monday, Tuesday and today. It is being dealt with prior to Ralston's plan for a two-corps army in Britain.

The most important single fact is that the air force now requires 7,000 per month. The doubling of the air force intake was authorized, apparently, by Chubby Power (away drunk since Lapointe's funeral) without consultation with his associate ministers of defence or the cabinet. This greatly complicates all plans.

Meantime the army has revised its plan-plainly in anticipation of conscription. Instead of a recruiting quota of 7,000 per month, the figure drops to 5,500 per month for 17 months ending March 31, 1943. (In November they got 6,000 recruits).

The [*NRMA*] trainee quota per month is hoisted to 5,000. It has varied between 1,200 and 4,000. Out of this 5,000, the army counts on 1,000 recruits, making the total army inflow, 6,500 per month. This is enough to carry through the plan for a three-division infantry corps and a two-division armoured corps.

Inevitably, of course, the number of trainees would quickly pile up. There would be 68,000, less those who went for the air force and navy. The army evidently anticipate conscription which would make all trainees immediately available, and, hence, is in favor of training them in greater numbers.

Ralston has been persuaded by the army manpower experts that the manpower report was drawn up with emphasis on the civilian services and not on the fighting services, which is the opposite of the truth. T.A. trying to convince him that the needs of the armed ser-vices were dominant in the minds of the committee, but makes little headway.

The sessions so far have damaged the 609,000 total on the ground that it isn't obtainable. You can't make the transfers and you can't strip agriculture, etc. etc. The idea is to block the army increase.

King's line is that without Lapointe there is no representation from Quebec and the cabinet must not deal with such vital problems in any final form. King wants Godbout but thought doubtful Godbout will come...

28. 5 December 1941 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar.]

The war cabinet discussions on the manpower report and the army plan took a decided turn for the worse on Wednesday after-noon. Ralston argued with great firmness that the manpower report had been framed entirely with an eye for civilian needs; not military needs. He does not believe our manpower is anywhere near exhaustion. Moreover, apart altogether from the brass-hats, he has a feeling for a big army.

He "took the bit in his teeth" (T.A.'s phrase) and indicated very clearly that he intends to back the army plan-two corps, etc. I gave the manpower figures in the last memo.

The war committee became a tussle between T.A. and Ralston. Ilsley and Angus [Macdonald] said nothing: gave no indication of

their views. Howe had helped out earlier in the week but had gone off to Washington. Ralston again made it clear that he was solidly in favor of the two-corps plan and, if necessary to achieve it, was for conscription. Mr. King said that he would have nothing to do with conscription. Someone else would have to lead a conscriptionist government. It looks to T.A. as if there might be serious trouble. The war committee sat again Thursday afternoon but dealt only with air force plans (7,000 per month). Chubby still being tight, Ralston acted for him. There was no reference to the army plan. The committee does not meet again until Monday.

T.A. has been to see Victor on Wednesday night. Thursday after the meeting, King detained T.A. and asked him what Victor thought of the situation. T.A. replied that he (Victor) was opposed to the big army plan. T.A. has an idea that King, who must reorganize the cabinet before the House meets, is thinking of transferring Ralston to Justice and finding another minister of defence. He (King) suspects Chubby of being, at heart, a conscriptionist, and Chubby is the next senior.

T.A. also said to King that he (T.A.) knew that King was prejudiced against the Siftons. King denied this very sincerely. King said that he had felt keenly a lack of sympathy on the part of the Chief and Victor with his pre-war foreign policy but this was all past now and he now had the highest regard for Victor. T.A. is going to suggest Victor as Minister of National Defence. I don't suppose that anything will come of this. But the Ralston situation is full of difficulties and there is no telling what will happen or when. Victor is certainly against the generals and I think would not care to make up his mind on the issue which may arise until it does arise. He is troubled by Ralston's subserviency to the general staff.

29. 8 December 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Victor Sifton, and Alex Johnston.]

It is a little early to be sure, but T.A. believes that the outbreak of war in the Pacific will immediately lessen the cabinet tension and that the conscription question for the time being will fade away. He cannot be certain of this until there has been a cabinet or two. The war committee is resuming the manpower discussions this afternoon. It is Mr. King's idea that we should immediately call perhaps two divisions of men for Pacific coast defence. These men will have to

be trained and, in part, armed. This should divert attention from the overseas front and place the big army plan in cold storage.

Whether things work out this way will depend largely on Ralston. The general staff has foreseen the danger of a Pacific out-break to their plan, and Victor tells me that at all the meetings of the military members in recent weeks there has been a very definite line of policy. Crerar and Ken Stuart have declared over and over again that there is not the slightest danger of attack on the Pacific coast and that the entry of Japan does not call for the transfer of any considerable body of troops. They believe it must not be allowed to interfere with the major plan. If Ralston takes their line, it is conceivable that there could still be trouble.

What would have happened this week, if Japan hadn't spilled the beans is hard to say. Alex Johnston talked to me for a few minutes on Saturday night. He said that Ralston, Angus and Ilsley were agreed on the need to settle the conscription issue forthwith. Angus was present and discussed conscription in a general way. He seemed very fed-up with Ottawa and keen to get back to Nova Scotia. He has had to split up the family. He wasn't home enough to look after his boy and Flora couldn't handle him. Therefore the boy has been put into school at Halifax and his absence, it was quite clear, is a keen source of grief to both parents. Angus said that it might well be too soon to face the conscription issue but he was sick and tired of listening to the Quebeckers saying that it couldn't happen. He was in favor of settling the matter as soon as possible, regardless of the military situation. ...

30. 9 December 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Victor Sifton, and Henry Angus, professor of economics, University of British Columbia. Bofors were 40mm. anti aircraft guns.]

The situation has quite evidently eased, although T.A. reports that discussions on manpower and the army scheme have not been renewed. There is a cabinet this afternoon but he was not sure what King would bring up.

V and Ralston had a long discussion on Sunday and V came away with two important impressions. Ralston will not bolt on this issue but in extremity will ask to be transferred to another portfolio. The second is that Ralston in anticipation of losing out on the big army plan has two alternatives in the back of his head. The first would be the armoring of

our fourth division without pledge to send it overseas, which does not make any sense to V and the other he would not discuss but says it would cut the required inflow of men below the present figure, that is 6,500 per month.

With respect to Japan, the general staff is keenly anxious that public attention should not be diverted to the Pacific coast and conscription for home defence. Not a man or a gun is to be sent out. Coast defence rests wholly with the air force and the navy, although the air force has not fighter craft but only bombers. V has protested. He wants to put at least two anti-aircraft guns in Vancouver but the general staff will not consent to the transfer from Halifax. He has a batch of Bofors coming off the line in a few days and wants to send these to Vancouver but again no luck.

Ralston has largely come to accept the manpower report that only 609,000 fighting men remain. When Victor pointed out that after deducting 200,000 English-speaking for the air force and the navy, this would leave 400,000 for the army but they would have to take one French Canadian for every English-speaking Canadian, Ralston protested. The army would not have masses of Quebeckers under any conditions; they would not be able to do anything with them. There is only limited room in our army for these men. They can't speak English. We have no French Canadian officers to handle them. Their fighting ability is questionable etc. etc. Ralston said that conscription was necessary to get more men from the English-speaking provinces; this was the sense of the matter.

Victor then said that it was incredible that under conscription the government would not work out quotas on the basis of where the young men were. The contribution of English-speaking Canada already would have to be considered and, as there were more men of military age in Quebec, proportionately, than elsewhere, the quota on Quebec would have to be correspondingly large. Ralston said this was not so. In 1918, he pointed out, the availability of young men had had nothing at all to do with the fixing of quotas. He went on to say, what is absolutely true, that in 1918 -despite all the enlistments from English-speaking Canada-the Borden government in raising 100,000 conscripts had fixed Quebec's quota at 25,000. That was the peace-time average of population and ignored entirely the war sacrifice up to that time. The same thing would be done again, said Ralston. If not there was no sense in conscription.

Victor deeply shocked by this and for my part I was dumbfounded. In all the 1917-1918 debates this point, so far as my reading goes, was

never raised. Up to conscription we had raised some 520,000 men of whom all but 14,500 were English-speaking. Yet in the conscription quotas English-speaking Canada was to provide 75,000 against Quebec's 25,000. They actually raised 80,000 odd of whom 20,000 odd were from Quebec. No wonder the farms were swept bare of manpower and the farm revolt occurred. I wonder if this aspect of conscription has sunk into Toronto.

A word with Mr. Angus on Wellington Street. He was still chuckling over what happened in Cleveland on Sunday afternoon. He had been there at an [Institute of] Pacific Relations conference, attended by all the U.S. pundits on the far east. All had agreed at the earlier sessions that the one thing Japan would not do was to get into a war. All suggestions to the contrary had been brushed aside as pure amateur stuff. When the conference assembled for the final session on Sunday afternoon the chairman rose and said: "Gentlemen, I have just been advised that Japan this afternoon attacked Pearl Harbor." The conference terminated forthwith.

31. 11 December 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and O.M. Biggar, a member of the council set up to administer the Military Service Act, 1917-1918. The cabinet manpower committee was chaired by J.T. Thorson. Its other members were Colin Gibson and Louis St. Laurent. Alex Skelton was appointed secretary. Robert H. Coats was Dominion Statistician, 1916-1941.]

The cabinet has postponed the decision on the army plan pending the preparation of a new manpower report. The recent manpower report was shot so full of holes that it had to be discarded. Col. Ralston finally agreed that the report was useless and it was decided to appoint a sub-committee to supervise the preparation of a new report. The sub-committee consists of Gardiner, McLarty and Thorson and the work is to be done by Sandy Skelton. Pending a report the army plan stands over.

The need of increasing our forces in British Columbia was brought up in cabinet and Col. Ralston said that the general staff was not worried. There was not deemed to be any more danger of attack than prior to the outbreak of war with Japan. On the other hand, he said, Victor had expressed the view that political opinion in British Columbia would expect every precaution to be taken. The cabinet then called in the general staff which repeated to cabinet the advice given to Col. Ralston.

Somebody then asked what effect the war with Japan would have on the general war situation. The general staff replied that the chief effect would be to divert supplies from Britain. The United States would have to retain equipment, weapons, etc., which would have gone to Britain.

King at once seized on this and said that our best policy would be to strain every effort to expand production. The staff agreed.

Long talk with Biggar at Alex Johnston's on Tuesday night. Biggar said it would be wrong to repeat the conscription business of 1917-18. The great mistake of 1917 he said was:

1. Borden proceeded on a manpower study made by Bob Coats which grossly over-estimated the available supply of men. In B.C. the estimate was double the number uncovered by registration; in Ontario the error was 30 per cent; and in Quebec only was the estimate even approximately right.

2. The Military Service Act proceeded on the assumption that everyone in the age groups 20-34 years was for the army. The business of the administration was to exempt-entirely negative policy.

3. The event proved conclusively that conscription cannot be enforced against an adverse public opinion since it can only be administered by local bodies and these bodies inevitably reflect local opinion.

4. Conscription, therefore, unsettles a great number of persons who become uncertain of their future. The country becomes upset, production suffers, public morale is gravely injured. And it did not deliver large numbers of men.

He believes what is needed is leadership to tell people where they can be of greatest use; to be practical and not expect the impossible. You must be constructive and go in for recruitment rather than compulsion. ...

32.15 December 1941 [DP, QUA].

[Information in the following memorandum came from Sandy Skelton and T.A. Crerar. John Deutsch, an economist, was at this time a senior official in the Department of External Affairs.]

... Saw Sandy Skelton who told me that Ralston came directly to him after the cabinet decision to get another [manpower] report, and discussed the needs of the army. While I was talking to him, King telephoned and Sandy saw King either late Friday afternoon or Saturday. There is no lack of efforts to influence him.

Ralston told him that the general staff and the adjutant general had the best men in Ottawa on manpower and he could make full use of them. Goforth promptly showed up, but Sandy has his number and, moreover, greatly distrusts the military people in all arms.

In a general way he knows what he wants to do. The grand strategy of the war, he says, should require us to close down on army recruiting and take perhaps half of those in uniform at home and train them for war industry. This kind of a report, of course, would be impossible. He knows that.

He thinks he will proceed by requiring all essential services-army, air, navy, munitions, base metals, lumber, agriculture - to estimate their requirements. Where they are expanding, he will want the desired rate of expansion. With agriculture he would want some idea of how many more men could be given up. He will then make his survey which will disclose that there are far too few men to meet requirements - after making every allowance for transfer of women and those in unessential occupations, etc. He will point this out, give the figures and tell the government that coordinated control and priorities are required.

His difficulty, he says, is to get competent men to help him. If he could borrow Johnny Deutsch all would be well, but this isn't possible, or so he thinks.

He had seen the chaps [*JA. Walker and TA. Robinson*] who did the now discredited manpower report. Their story is that the general staff made a dead set at them to find that the big army plan is feasible. There was no counter-influence. Against their own judgment they found there was enough manpower but protected themselves by throwing in caveats, like the zero one.

Cabinet: any idea that the big-army plan was shelved by calling for a new report was scotched on Friday afternoon when cabinet met to consider a proposal from Col. Ralston. This turned out to be a general staff recommendation that our 4th division be sent overseas immediately. The recommendation apparently was drawn up before the manpower report foundered because T.A. discovered that the recommendation itself said that it was based upon the assumption that plenty of men were still available as the manpower report said. T.A. challenged Ralston on this point, and Ralston denied it but when asked to read the recommendation he had brought to council, he apologized. But he said this was purely academic as the general staff was strongly of the view that, regardless of the report, our fourth division should be despatched at the earliest moment. He wanted authority from cabinet to

order the division overseas, make all the necessary arrangements, etc.

The old row at once re-emerged in a new form. T.A. and King argued that it was, in T.A.'s words, "fantastic nonsense" to be sending more army overseas when the obvious need was not for a larger army but for greater war production. The general staff itself had said that the most important effect of Japan's attack would be the diversion of equipment by the United States from Britain, Russia, etc. to its own needs (a view confirmed at Toronto, where one of the leading machine - tool men told us that lease and lend shipments [from the United States] had had to be stopped indefinitely). We must try and fill this gap. How much wiser to arm Russians actually at grips with Hitler and to aid Britain in equipping her unarmed divisions, than to create a larger army and divert this equipment to it.

T.A. said he said quite frankly that the cabinet must deal with the situation as it exists. It might well be true that Quebeckers were not doing their bit, that farmers, particularly in Ontario, were getting desperate - but the consequence of conscription would be so to disunite the country as to hurt the essential war effort badly. We must do our best with the situation as it existed.

Ralston then said that the army believed the six divisions etc. overseas, would be supported by the voluntary system. Then T.A. got him on the manpower study paragraph in the recommendations. What would the Col. do if the voluntary system failed to provide enough recruits? The Col. said he would then take whatever measures were necessary, including conscription. But why get into this position unnecessarily? If necessary, T.A. would go with him on conscription, but to do what the Col. was now proposing would be fantastic nonsense.

Selective national service was discussed, but Howe is opposed to conscription and also to a national organizing body to carry through selective service. If conscription really is necessary, however, he would favor it, but, of course, he regards war industry as much more important than the army. No more was then said about selective service. Howe's argument is that selective service-calling everybody before tribunals-would greatly unsettle people and cause much confusion, needlessly. He advocates his method of shut-ting down unessential industries and thus making manpower available.

It was a stand-off. Joe Thorson who was going to make a great play for selective service, backed right off it.

Ralston stood pat and the 4th division proposition stood over until today. Will advise again tomorrow.

The Col.'s proposal, of course, is just the big-army proposal in a slightly different form.

33. 22 December 1941 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Sir Lyman Duff, chief justice of Canada. Sir Lyman Duff had been a judge of the Supreme Court of Canada since 1906 and chief justice since 1933. In 1917-18 he was a cen-tral appeal judge under the Military Service Act.]

Heard officially this morning and confirmed by T.A. who is just back from the west, that King has begun to shift his ground against Ralston. He began on Friday afternoon, and over the week-end there have been a series of conferences with Quebeckers, including the cardinal [*Villeneuve*], Dandurand, St. Laurent, Godbout etc. King looks as if he is moving very speedily to the adoption of the referendum. The drift of his mind is to submit a plebiscite to the people asking for power to use military manpower for any purpose and in any place, to be absolved from his earlier commitments. All the Quebeckers except Cardin recommended a plebiscite. ...

King will put the plebiscite in the form of a request for the power to send men overseas; he will favor it.

Saw the Chief Justice at noon and, while he is very anxious not to take part in any political discussion and in no way to injure the position of the court, he was very definite about conscription. He said the trouble is that only Biggar and himself have any idea of the hell that was let loose in 1917-1918. Conscription, he said, is like prohibition-unenforceable except by the assent of the people. He had made careful inquiries and was informed that the situation in Quebec was much more favorable than in the last war. To take a club to the province would be a tragedy.

After the last war, he could not bear the thought of having the conscription records placed anywhere where the public could reach them. The papers of the local tribunals and appeal bodies in Quebec were full of hatred and bitterness and would have been a living men-ace to national unity. He had, therefore, stored them in the Supreme Court for a few years and then, after an illness, had decided they must be burned. He and his secretary had burned them and he was glad to say that no real record of conscription existed. Nobody, he thought, except himself was aware of the fact that practically no

French Canadians were rounded up. The Quebec tribunals, although headed by Superior Court judges, gave exemptions automatically to French Canadians and it was meaningless for the national appeal court to reverse their decisions. But they applied conscription against the English-speaking minority in Quebec with a rigor unparalleled. They gave no exemptions on any grounds and they thus created the deepest divisions, hatreds and so on.

He is strongly for Biggar's policy which, he thinks, would get us to the end of the road without any major trouble. But to go for over-seas conscription direct would be a disaster. He said he took occasion to tell this to King when Hump Mitchell was sworn in [*as minister of labour*]. King was very worried and then expressed the view that the conscriptionists for overseas service were likely to get control of the government and act accordingly. Duff said that Meighen was not a reliable witness in this matter, nor were any others among those now advocating it. The only two men who really know what went on and who were still alive were Biggar and himself. ...

CHAPTER IV

THE FIRST CONSCRIPTION CRISIS, JANUARY 1942 TO AUGUST 1942

In the first seven months of 1942, Grant Dexter dealt with a profusion of subjects-problems of steel production, by-elections involving Meighen and St. Laurent, the U.S.-U.K. Combined Boards, British Columbia defences, the "big army" and anxieties over man-power, and much else. But one issue dominated-conscription. In April the government held a plebiscite requesting the people of Canada to release it from its promise not to impose conscription, and the results revealed a racial split. The vast majority of English-speaking Canadians voted for the release, and a similar majority of French-speaking Canadians voted against it. The results of this plebiscite precipitated a cabinet crisis which Dexter followed closely. Dafoe himself intervened in the crisis in a not unimportant way, helping to prevent a split in the government. Although conscription was essentially a domestic conflict, it was obviously affected by the course of the war, but Dexter, located in Ottawa, rarely mentioned the war at all in his memoranda.

Pearl Harbor brought the United States into the war and the Allies began to hope for ultimate victory. "Now, surely," wrote George Ferguson a fortnight later, "we know we are going to put the boots to Hitler & Co."[1] But the Japanese assault was followed by a new series of disasters to the Allied cause. The sinking of the battle-ships Prince of Wales and Repulse, followed by the loss of Malaya, Burma, and Singapore, destroyed British power in the Far East. Japanese land and sea forces swept on to conquer the whole of southeast Asia and the East Indies. As Mackenzie King said to Dexter at the end of February 1942, "the war was going very badly. The truth is that plucky and all as the British have been, miraculous though the Russian resistance is, the enemy is still stronger than we are at every point."[2]

The fury of the Japanese conquest was felt in Canada. On 8 December, the Japanese attacked Hong Kong and the British garrison included two Canadian battalions that had recently arrived in response to a British request for reinforcements. After heavy losses, the garrison surrendered on Christmas day. For the Canadians, the expedition was a sad fiasco. Their battalions, the Royal Rifles of Canada and the Winnipeg Grenadiers, had no battle experience and their combat training was incomplete. Army incompetence also deprived them of mechanical transport. 212 vehicles failed to arrive before the expedition sailed from Vancouver and, in fact, they never did reach their destination.

George Drew, the Ontario Conservative leader, charged the government with incompetence for sending inadequately trained troops to an area likely to become a war zone. Cabinet ministers and senior army officers denied having any knowledge that war with Japan was imminent, and perhaps they had ignored British and American intelligence reports to this effect. Curiously enough, the prime minister himself, speaking in Ottawa on 27 October, the day the Canadian force sailed from Vancouver, had said "any day we may see the Pacific as well as the Atlantic Ocean the scene of conflict."

In February 1942, the government appointed a royal commission, headed by Sir Lyman Duff, the chief justice of Canada, to inquire into the Hong Kong expedition. The main facts were brought forward in evidence during the hearings, but Duff's report, submitted on 4 June, absolved the government and the military of any wrongdoing. He offered no more than the gentle suggestion that "more energy and initiative" might have been shown in the despatch of the force's support vehicles.

The prime minister was delighted and the minister of national defence was vastly relieved, but George Drew wrote angrily to Mackenzie King, charging Duff with performing a whitewashing job. Though partisanship blunted the force of his criticism, Drew was substantially correct-and by no means alone-in terming Duff's conduct as lacking in impartiality.[3] Duff's report was fiercely debated in the House of Commons on 27 and 28 July, but a Conservative motion condemning the "incapacity" of the military organizers of the expedition and calling for a thorough overhaul of the Department of National Defence was easily defeated by the huge Liberal majority.
Partisanship at least as sharp as Drew's protected the Liberal government; it also shielded the army's general staff in the

Department of National Defence, and Dexter had some severe things to say about them in his memo of 14 April 1942:

> The little junta here is saved by the fact that they operate at one remove from real war. They operate, really, as a forwarding agent for McNaughton and the British War Office. If we ever are invaded, it will be a disaster. The only word for them is incompetent.[4]

Perhaps the Hong Kong affair also had a certain effect in keeping Ralston and King together throughout the divisive conscription crisis. Dexter did not speculate along this line, but in his memo of 27 January 1942, he recorded Ralston's comment: "after the [*Hong Kong*] inquiry is finished I will not be able to lead any revolt against this government." And King, although he may have felt he had found a potential successor to Ralston in McNaughton, and one who agreed that industrial production, not military strength, ought to be Canada's primary contribution to the war, was in no hurry to dislodge Ralston.

War with Japan had other repercussions. Reports from Hong Kong of Japanese brutality to prisoners of war and of the murder of Canadian soldiers after surrender inflamed anti-Japanese feelings especially in British Columbia where more than 20,000 Japanese Canadians lived. These people were now viewed as potentially useful to the enemy in the event of a Japanese assault, a possibility which gained credence from a series of isolated attacks on North America, beginning in February when a Japanese submarine shelled an oil refinery on the California coast. British Columbians demand-ed stronger west coast defences and became increasingly hostile towards Japanese Canadians until the federal government, fearing an outbreak of rioting, evacuated the Japanese from the coast into the interior. Dexter scarcely mentioned the evacuation question-there is just one brief reference in an interview with Prime Minister King on 28 February 1942-but he did spend a certain amount of time on the problem of British Columbia defence. It seemed questionable whether British Columbians would ever be satisfied with what was done, particularly after hearing from General Stuart, who "chatted with a newspaperman while shaving on the boat crossing from or to Vancouver", assuring him "that the Japs could take Alaska with two divisions."[5]

In mid December 1941 Prime Minister Winston Churchill arrived in Washington to confer with President Roosevelt. They agreed on a fundamental priority-Germany first and then Japan; they set up a Combined Chiefs of Staff committee to devise a joint strategy; they

created other combined boards to deal with munitions assignment, shipping, raw materials, food, production, and resources; they established huge production goals for 1942 and 1943; and they framed a declaration of war aims for the twenty-six United Nations at war with the Axis Powers.

The Anglo-American partnership hinged upon the close personal relations between Roosevelt and Churchill, effectively shutting out their smaller allies, including Canada, from the supreme direction of the war. To the United States, now engaged in a global conflict, relations with Canada diminished in importance. As Roosevelt and Churchill drew closer together at the summit of the Grand Alliance they had less need of Mackenzie King as intermediary. King had no illusion that Canada was a great power, but he told Roosevelt that as a major producer of munitions Canada was entitled to membership in the Munitions Assignment Board, and he deplored privately "a tendency to recognize only Churchill and the President, and to crowd both Canada and myself off the map."[6] This did not worry King for long because the focal point of his interests was domestic politics. However, the able and ambitious men in the Department of External Affairs were more inclined to concentrate on the peculiar challenges to Canada's autonomy represented by the Combined Joint Boards, and in several memoranda Dexter recorded their perplexities. As Dexter described it, the response of C.D. Howe to the possibility of upsetting his existing arrangements and re-routing them through London was more straightforward:

> He is up against it for steel but his policy is, if blocked by these committees, to indicate directly to Washington that as we must have more steel for our war effort, and cannot obtain it from the U.S., we propose to reduce our out-put of copper, zinc and aluminum (of which we produce vast amounts in excess of our own requirements and send the surplus to the U.S. and Britain) and use the manpower so released to enlarge our own steel output. We will expand our own and not bother if in doing so we shut down U.S. and U.K. war industry. He thinks this will bring all and sundry to heel. Asked if he would go through if his bluff is called, he chuckled and said he'd see when the time came.[7]

Clearly, Howe knew how to manage any threats to his autonomy. Eventually Canada became a member of the Food Board and the Production and Resources Board, though not of the Munitions Assignment Board.

The first act of the conscription crisis was the plebiscite, announced in the Speech from the Throne on 22 January. It proposed to ask the electorate: "are you in favour of releasing the Government from any

obligations arising out of any past commitments restricting the methods of raising men for military service?" Mackenzie King, as he later declared, "substituted the plebiscite for a referendum to avoid political controversy." He feared that a referendum "would be construed as a verdict on conscription itself" whereas what he want-ed was the restoration of discretionary power: "give us freedom of action, but leave us free to take what course we needed as necessity might dictate."[8]

The plebiscite bill was passed early in March, and the vote was set for 27 April. The government's campaign, essentially a plea to trust the prime minister, was slow to get underway, and made little progress in Quebec. Part of the problem there was leadership: Lapointe's death left a gap that remained unfilled. Of the remaining cabinet members from Quebec, Dandurand died on 11 March 1942, Power was not French Canadian, and St. Laurent was too much the newcomer to have a strong political influence. Under these circum-stances, the primary responsibility for leadership fell to P.J.A. Cardin, and he was a late and reluctant convert to the plebiscite. Additionally, he was scarcely an enthusiast for the Allied cause. On 12 January 1942, Dexter reported him as declaring in cabinet that he "definitely likes Petain and Vichy: likes this kind of government setup. He certainly is no democrat."

Perhaps the major problem for the Quebec Liberals was the message they had to deliver. Scarcely more than two years after giving solemn pledges against resorting to conscription for overseas ser vice, they were expected to secure a release from those pledges. As Power later recalled, "we in Quebec met with almost insurmountable difficulties. St. Laurent, Cardin, and I endeavoured to convince our fellow-citizens that the only right and proper thing for them to do would be to relieve the government of its pledge. We were rather hard put to find the kind of argument that might appeal."[9] Furthermore, they were operating in an atmosphere that was bathed in Vichy propaganda and where, as Dexter reported on 2 April 1942, even the CBC news commentators "are either Vichy men or are under the impression that it is quite impossible to criticize Vichy or to praise the Free French." The clerical nationalist line was that God was punishing France for its sins, that Quebec, preserved from revolution, "must help France to recover her lost soul," that "Petain, of course, is the great leader." Dexter went on to observe, "This general Vichy line insensibly makes Quebec pacifist in temper."[10] That *La Ligue pour la defense du Canada* - a coalition of nationalist

groups - was able to run a spirited and effective campaign is not surprising. Its adherents argued that the government would not seek release from its pledges unless it was planning to introduce conscription, and they attacked the government for asking all of Canada to release it from pledges which had been made to French Canada. Further, the Liberals had long been helped in keeping Quebec faithful to their party "by the bogey of Meighen." But Meighen was defeated at the by-election in York South. As Brooke Claxton wrote, "having been so careless as to kill him off on the 8th of February, their effort to revive him for the purpose of the 27th of April was not very successful."" Certainly Cardin was unequal to the task of organizing a "yes" vote in Quebec; possibly he was, as Phileas Cote and Claude Melanqon both told Dexter, publicly standing with the federal government while privately supporting the opposition. But it would have taken an astonishing amount of expertise to have altered the results greatly. In Quebec and elsewhere the plebiscite became a vote on conscription, and 72.9% of Quebec voters voted against releasing the government from its pledges while 79.8% of voters in the other provinces voted "yes".

Dexter's memos were never more valuable to Dafoe than they were in the aftermath of the plebiscite. Frequently his communications take the form of telegrams rather than memos, and they reflect the seriousness of the crisis that resulted from divisions in the cabinet on how best to respond to the results of the plebiscite. From T.A. Crerar, Dexter learned that "the result of the plebiscite has been a cruel blow to King", who had as yet no "disposition to come to a decision." Indeed, he continued in his memo of 30 April 1942, "King seems to be more aware of the adverse vote in Quebec than of the affirmative vote elsewhere. He doesn't see how conscription can be enforced against one third of the population."[12] Crerar himself, well aware the English-speaking ministers would insist on some definite response to the "Yes" vote, was working out a formula "which would cushion the blow on Quebec." He proposed the repeal of Section 3 of the NRMA Act, limiting conscription to service in Canada, and that conscription not be implemented until the voluntary system failed. Dexter reported that the prime minister accepted Crerar's compromise, but added one further provision: King insisted that before conscription was implemented the Liberal government would ask parliament for a vote of confidence. To Ralston and Macdonald the sticking point was the idea of going back to parliament a second time. It might cause delay, Ralston argued, at a

time when men were urgently needed overseas. Initially both Crerar and Dafoe also opposed any return to parliament for a vote of confidence before implementing conscription; eventually, all came to accept King's proposed course of action.[13] Dafoe's acceptance was never very enthusiastic, but it was important, for he persuaded Macdonald, and perhaps influenced Ralston, to follow his example.

The reason for Dafoe's change of mind deserves exploration. First of all, as Dafoe wrote to Dexter on 8 May 1942, "I do not think he [*King*] was ever wiser than when he decided upon the plebiscite. The verdict of the plebiscite gives him a clear road to firm ground." Dafoe had a vivid memory of the conscription crisis of 1917, indeed he was a participator in it, and he had no desire to re-enact that particular drama. But one aspect that lingered in his mind and made available to readers of the Winnipeg Free Press in Dexter's articles on 2 May and 4 May 1942, was Laurier's June 1917 proposal that a referendum or plebiscite be held on the question of conscription, and if the majority approved then the minority must accept the result. Dexter quoted Laurier as saying "when the country has pronounced then the question is settled and all must submit to the law", for the result "will be the final arbiter and it will put an end to the agitation which is now going on."[14] And as Dexter made clear, other leading French Canadian Liberals-among them Lemieux, Lapointe, and Cardin - had agreed with Laurier.

In 1942, the Laurier route had been followed, a plebiscite was held, and a strong majority had voted to allow the government to adopt conscription when it seemed necessary. What Dafoe wanted King to do, he told Dexter in the letter of 8 May, was

> follow the road that is plainly indicated: remove Section 3 and let the Government take on full responsibility. The Opposition will demand instant conscription and will thereby strengthen the position of the Government, for I am sure public opinion will support the Government in its policy of relying meanwhile on voluntaryism.[15]

But what he feared King was going to do, by insisting on parliamentary approval before the implementation of conscription, was to encourage the opponents of conscription in Quebec-indeed, he might even increase their number:

> If King sticks to the line he has taken up, every French- Canadian-even those who would gladly follow him if he took the moderate and proper course-will feel himself bound to stand by him, and we shall have 1917 and its consequences over again in even more extreme form.[16]

One consequence of the conscription crisis of 1917 was the splitting of the Liberal party, and Dafoe was eager to avoid this outcome in 1942. Although he agreed with Angus Macdonald's opposition to King's proposal to get parliamentary approval before enacting conscription, he urged restraint. In a telegram to Dexter that Dafoe meant to be shared with Macdonald, he wrote: "There should be no precipitate action by anybody while situation is being thoroughly explored. Disruption would be complete negation of any claim to statesmanship or patriotic concern for country by parties responsible."[17] In the following weeks the situation was thoroughly explored. On 11 May, Cardin resigned in response to the proposed Bill 80 repealing Section 3 of NRMA because he believed King had pledged not to move towards conscription until necessary, and the bill violated that pledge. His resignation left the leadership of the Quebec Liberals in the hands of Louis St. Laurent, who had himself been elected to the House of Commons only three months earlier. He was, however, surprisingly self-assured.

St. Laurent was no stranger to Dafoe, having acted as legal counsel to the Rowell-Sirois Commission of which Dafoe had been a member. Nor was he an extreme French Canadian nationalist in Dafoe's opinion. Indeed, he was the kind of moderate French Canadian Liberal whose very presence was so essential to keep the party national. Unlike Cardin, he accepted the repeal of section 3 of the NRMA, but he nevertheless argued that it was necessary to win parliamentary approval before implementing conscription. He explained the position of the Quebec Liberals to Dexter, who passed it on in a memorandum to Dafoe and Ferguson on 11 May 1942. Regarding the bolters-those Quebec Liberals who meant to vote against the government on Bill 80-St. Laurent argued that their position needed to be understood:

> They were not, in the main, against the war. They wanted to win and to do their part. They took a constitutional position. Most of the members... had been opposed to conscription and had given pledges. The electors of English-speaking Canada had released their members from the pledges but their electors had not released them. They felt that they were bound by the "No" vote.[18]

But they were not in any profound sense against the government: "All of them ... firmly desired the government to continue in office. It never occured to them that the government might fall and he felt sure that any danger of this sort would affect their voting."[19] As to Quebec, St. Laurent looked forward to a campaign to improve war morale in

the province, which would be achieved partly by clamping down on anti-war propaganda. And as far as conscription was concerned:

> If an emergency arose he would be quite willing to apply conscription by order-in-council but as things stand it is inconceivable that there could be such an emergency.
>
> Otherwise he is convinced that the government should pass the order-in-council but not apply it until a resolution vote of confidence has been obtained from the Commons.[20]

What St. Laurent meant by saying that an emergency was "inconceivable" is uncertain, but his statement implied that he might consider presenting parliament with a fait accompli, imposing conscription and then asking for approval. With this course of action, cabinet ministers like Ralston and Macdonald who agreed with Dafoe's plain course of action - removal of section 3 and the imposition of conscription if necessary - would have been satisfied. This was not, however, the route that King chose, and they feared that his route would encourage hope among the opponents of conscription in Quebec and a continuance of their campaign. They feared that a second debate in parliament on conscription would cause delay when reinforcements were needed. Basically these men distrusted King, though they did not misunderstand him. As Macdonald said to Dexter, "what King really intends is never to impose conscription unless he can carry Quebec with him, that is, the bulk of the Quebec Liberals."[21] They themselves viewed glumly the prospect of a split in the Liberal party on the question, and not one of them had any ambition to lead a conscriptionist Liberal party.[22]

The prime minister persevered in his efforts to secure assent to his procedure on conscription. At the end of the caucus on 27 May he told the Liberal members that if conscription became necessary, he would not think of attempting to enforce it without the support of parliament. The position of the government, he told the House on 10 June, was "not necessarily conscription, but conscription if necessary." A day later King's hand was strengthened unintentionally by Cardin's attack upon the prime minister. Cardin spoke of Quebec as being betrayed, he implied that the government might act clandestinely to enforce conscription, and he insisted that before any action was taken to implement Bill 80 the government must go back to parliament for approval. Grant Dexter reported that Cardin's speech "rocked King." Perhaps it did personally, but not politically. The next day Mackenzie King told the cabinet that in view of what Cardin had implied, it was

now essential to state publicly that if conscription proved necessary, the government would seek parliamentary approval before enforcing it. After cabinet, Ralston told King that he would have to resign. The prime minister, Ralston thought, was primarily concerned with pacifying French Canadians, and a return to parliament meant a second debate on conscription and that would, in his opinion, be tantamount to having the country run by Quebec.

Dafoe visited Ottawa and on 16 June talked with Mackenzie King. Immediately after their discussion, according to Crerar and recorded by Dexter in his memorandum of 17 June 1942, King decided upon the precise terms of the procedure for introducing conscription: the government would pass an order-in-council imposing conscription, allow a two day debate in the House of Commons, and then vote on the motion of confidence. By limiting the time for debate, the prime minister tried to meet the objection that parliamentary debate would cause delay at a time when the need for reinforcements would be acute.

Dafoe referred laconically to his conversation with King in a letter to Crerar on July 14: "Mr. King gave some reasons for having a vote of confidence which I thought had some validity." Even so, his assent was gained for a procedure that was not adopted: "I inferred, mistakenly as it now appears, that Parliament was to be asked for a vote of confidence on a complete and irrevocable policy."[23] In the larger sense, however, Dafoe had a pretty clear grasp of what was at stake. He agreed that it was essential to secure "acceptance by at least a majority of the French-Canadians of the condition that will be created when Parliament passes a measure which will make conscription the law of Canada."[24] If this acceptance could be secured only by a promise to submit the implementation of conscription to parliament for approval - and St. Laurent whom he knew to be a moderate spokesman assured him it was - then he would follow that route, although unenthusiastically. The consequence of any other course of action would be too disastrous: "Failing this, I am afraid a disruption of the country along racial lines is inescapable. Such a disruption would of course make Canada's total war effort a burlesque of the real thing".[25]

Through an elaborate series of procedures Mackenzie King aimed to secure the acquiescence of the two cultures, to win a majority in both communities, and thus to implement in modified form the nineteenth century idea of the double majority. Dafoe's resolve to

avoid a repetition of the conscription crisis of 1917 led him to accept King's procedures in 1942: first a cabinet decision to implement conscription; second its presentation to parliament for approval; and finally its implementation. For King, no other order would do, and though Dafoe was rather sceptical, he, when asked, offered Angus Macdonald his advice: "this could not be the cause of resignations, only the occasion." And Macdonald, on thinking about it, agreed "that the confidence vote was not a sufficient cause for a break".[26] And it seems likely that Dafoe's advice may have had its effect on Ralston, who was poised on the brink of resignation. In a memorandum written at the time, Chubby Power recorded:

> Ralston told me that he was not sure that he had very strong grounds on what might be considered a matter of procedure, but he had pointed out to the Prime Minister that his objections were mostly to Mr. King's attitude, generally, on this question of conscription, that he felt there had been too much procrastination and backing and filling ...[27]

In the event, Ralston agreed "not to press his resignation for the moment."[28]

A week later the House of Commons gave third reading to Bill 80 and it passed by a vote of 141 to 45, but the supporters of the bill included only two French-speaking private members from Quebec. Nevertheless, St. Laurent was not disturbed. "Most Quebec MP's", he told Dexter, "were solidly with the government despite their votes on Bill 80. Quebec did not want to destroy the King Government, and if a need for conscription could be proved, Quebec would accept it under King." Events soon confirmed St. Laurent's assessment. On 28 July the government was sustained by 130 to 34 in a vote of confidence over the Hong Kong inquiry; in that vote Quebec Liberals who had voted against the government on Bill 80 returned in force to support it. Three days later parliament adjourned.

To Dexter, exhausted by "the damn crisis," Dafoe's intervention with Angus Macdonald had been decisive in the outcome: "If the Chief had not put the brakes on Angus", he wrote to George Ferguson on 2 August, "this story would have had a different and tragic ending."

So the conscription crisis of 1942 passed with just one resignation, that of P.J.A. Cardin. Party unity was preserved. National unity was preserved. But what of conscription? Could Canadian troops overseas expect to receive reinforcements promptly if the voluntary system failed to provide them? Here there was room for speculation, and on 17 July 1942, Dexter wrote to Dafoe:

> I am not as sure of King as Mr. Crerar is. He would put it that Mr. King is determined to have conscription and if possible to have it with national unity. I think he is determined to have national unity, if possible with conscription. But I would like King to have more rope and see how the thing works out.[29]

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6 J.W. Pickersgill, The Mackenzie King Record, vol. 1, p. 409.
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11 Brooke Claxton to Elizabeth Armstrong, I May 1942, Dafoe Papers, NAC.
12 Memorandum, 30 April 1942, DP, QUA.
13 Telegram from Dexter to G.V. Ferguson, 1 May 1942, DP, QUA.
14 *Winnipeg Free Press*, 2 and 4 May, 1942.
15 J.W. Dafoe to Dexter, 8 May 1942, DP, QUA.
16 *Ibid*.
17 J.W. Dafoe to Dexter, 7 May 1942, DP, QUA.
18 Memorandum, 11 May 1942, DP, QUA.
19 *Ibid*.
20 *Ibid*.
21 Memorandum, 7 May 1942, DP, QUA.
22 *Ibid*.; see also Pickersgill, King Record, p. 385.
23 Dafoe to T.A. Crerar, 14 July 1942, Dafoe Papers, NAC. King believed that Dafoe understood and agreed with him fully in the matter of the procedure to be followed if conscription was to be implement-ed. See Pickersgill, King Record, pp. 388-389.
24 Dafoe to A.R.M. Lower, 2 July 1942, Dafoe Papers, NAC.
25 Dafoe to W.R. Givens, 3 July 1942, Dafoe Papers, NAC.
26 Memorandum, 9 July 1942, DP, QUA.
27 Cited in The Memoirs of Chubby Power, ed. Norman Ward, p. 143.
28 *Ibid*., p. 144.
29 Memorandum, 17 July 1942, DP, QUA.

MEMORANDA

1. 6 January 1942 [DP, QUA].
[Information in the following memorandum came from Lesslie Thomson, steel controller, Department of Munitions and Supply.]

Chief points:

We are reasonably certain that we will be able to get enough steel to maintain our present war production programme, subject to some very aggravating delays. We must make up our minds that we cannot possibly extend our war programme. We have now got to the absolute limit for which the foundation of steel exists. We have not got the steel to do another pound of production.

Our production has been increased to about 2,500,000 tons for 1942. Pre-war, around 1,900,000. Our present production is based on a supply of 4,300 000 tons in 1942. From our production deduct about 20,000 tons per month for essential exports to Britain in the form of ingots from Dosco [Dominion Iron and Steel Company] and finished products such as agricultural implements for British agriculture.

Hindsight reveals a shocking lack of appreciation of what our requirements would be. Far too much thought given to the superstructure - to the finished war products - than to the foundation under them - steel.

Moreover, Howe made two serious miscalculations. At first he decided against building cargo ships. Then he reversed his judgment and undertook to build first 30, then 60, then 100, and now it is around 150. Likewise with tanks, he first said he wouldn't, but ultimately he tackled both kinds of tanks, with a very heavy drain on steel.

It seems equally clear that when the Steel Co of Canada undertook with its own money ($6 millions) to build a plate mill early in the war, McMaster exacted a pledge from Howe that no government assistance would be given to any further expansion of plate production. Hence Howe's refusal to re-equip the big plate mil] in Nova Scotia until the crisis came.

Reliance on the United States and lack of foresight re our own supplies understandable when considered from political and production standpoints. Didn't look as if the U.S. would go into the war. U.S. steel production between 80 and 100 million tons per year. Canadian production, at this time, around 2 million tons. For us to base a war

programme on one million [tons of] imports certainly meant a whale of a lot in terms of our own production. We couldn't expand our output by this amount quickly, if ever. But imports of a million tons from the U.S. meant scarcely a flea- bite to them, around 1 1/2 per cent of their total. Howe apparently decided that he could be certain of getting this steel from south of the line. His certainty was strongly reinforced by the Hyde Park agreement which seemed to clinch our position at Washington.

We had been further deceived by the set-up at Washington. Howe was dealing with the O.P.M. [*Office of Production Management*] which was a bureau without statutory or other authority. The tops of O.P.M. shoved out their chests and acted as if they had real authority: Howe fell for them.

The embargo on steel exports from the U.S. came last July and it then developed that with the growing U.S. war programme, the Army and Navy had stepped into control of the U.S. steel industry. Navy and Army men were in all the steel mills and their okeh was necessary before shipments could be made. They refused to accept O.P.M. priorities. Thereupon O.P.M. instead of confessing their impotence, kidded Howe along that they would fix the warriors. Months drifted by. MacMillan's ship programme fell heavily into arrears. Acute shortages began to develop in Canada all along the line.

We have now got in with the U.S. army and navy people and are getting our minimum requirements. But the shock has been severe and the lads in M and S are haunted by a recurrence of the stoppage in a form which will be irremediable.

Difficulties of expansion:

At the time of the crisis last summer, a balance sheet was made for the first time of what our war programme meant in the way of basic steel. This showed the terrific deficit of raw material for tanks, ships, guns etc. Howe, himself, was deeply shocked and ever since has hedged on expansion.

If steps had been taken early in the war to expand production, new mills could have been brought in with the maximum speed. All the equipment was available in the U.S. and immediately obtainable. This, for example, was true of the proposal of Dominion Iron and Steel of Sydney. The management, so Alex Johnston tells me, came to Howe late in 1939 and strongly recommended the building of new furnaces to produce 600,000 tons per year and re-equipping the plate mill, unused since the last war. Howe refused, partly because of his commitment to

Canada Steel and partly because he could see no difficulty in meeting shortages by import from the U.S. At that time, DOSCO had made complete plans and ascertained that full equipment was available without delay in the U.S.-motors, cranes and so forth. When the order for this expansion actually was given by Howe last summer, the equipment was no longer available and it will still be a considerable time before it can be obtained. Indeed, such is the demand for equipment in the U.S. that grave fears are warranted that further and long delays will be met with.

When you decide to expand steel production you must use part of your existing steel output to build the new plants. Thus your immediate war output must decline. I am told that a new plant requires in steel about one tenth of its output. A 600,000 ton mill would take about 60,000 tons in the building. This would be [equal to] ten cargo ships, 24,000 tanks, or shiploads of bren guns etc. etc. Howe is very loathe to face a 15-month setback in output and, I am told, the British authorities are equally against his doing so. They want all they can get now.

The next point is fundamental. We are running short of scrap iron which is essential the production of steel in this way: the mills use a certain, but substantial, part of scrap in making new steel. By so doing they vastly increase their output since the scrap is added after the original process is completed. If the supply of scrap fails, our total production falls by the amount of scrap which can be added to new steel-a calamity. The supply of scrap is now getting very tight and the officials assured me, very solemnly, that we have not got the scrap iron to enlarge existing output and that, in consequence, we must now agree that further expansion of production is impossible.

When you suggest that we should have stopped shipping scrap to Japan long ago, they say that the government was running exports. ...

Generally: To the extent that our war programme is based upon imported raw materials, the foregoing will apply. We are for it on more fronts than the steel front.

In essence, we based a vast superstructure of war production on an uncertain foundation. When the test came, we hadn’t the foundation in our own production to support the superstructure. We may wangle enough from the U.S. to carry on-going operations but chances of expansion are very remote. They argue at Washington that they can expand just as easily as we can, indeed more efficiently.

I intend to talk this over with Howe and meantime I would like your comment. I think we should write this material very objectively but cold-bloodedly, letting the chips adjust themselves. The one point that really staggers me is with respect to scrap. Here is a valid point against expansion. But I cannot believe it is true. Aren't the farms of Canada littered with potential scrap?

The foregoing also makes clear Howe's antagonism to expansion. He said managerial ability was the bottleneck. Actually it is basic material. My suggestion is that regardless of what they say, we must expand.

2. 6 January 1942 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar.]

Very confidential. T.A. said he would be writing to the chief tomorrow morning.

Within the past week a profound change has come over King. The assumption is that Ralston went to him and said that he must either take the big army programme or Ralston's resignation; also that while the experts believed the big army programme could be manned by the voluntary system, if not we must have conscription.

King has bowed to Ralston and told T.A. prior to yesterday's meeting that he thought there was no alternative but to accept Ralston's programme and take a chance on the experts being right. He then said this in cabinet, adding that he was just as much opposed to conscription now as before. T.A is very deeply disap-pointed and relationships are badly strained all round. Ralston is scarcely speaking to him.

Today's cabinet, therefore, will decide to increase our overseas force from a corps to an army. The fourth division will be armoured in Canada and sent overseas along about August and we will then have two corps-one infantry and one armoured. In addition, there will be a second infantry tank brigade which will also proceed over-seas this year. This will give us a force in Britain of three infantry divisions; two armoured divisions; two tank brigades; and ancillary troops. The upkeep, including air force and navy, will run to 13,500 recruits per month. T.A. regards this as impossible. He told King that this made conscription inevitable and might well destroy the government within six months.

There has been no discussion in cabinet, apart from general observations during the big-army series of cabinet meetings, of national selective service. ...

T.A. cannot figure King out. He may have some reason to believe the war may end more quickly than most people think. T.A. has some reason to believe he got this impression from Churchill and Roosevelt at Washington. Certainly Roosevelt is running a strong line of propaganda for the German people with his talk of future production etc.

King also was confronted by a very difficult by-election situation. Meighen, Mitchell and St. Laurent go to the electors at the same time. If the voluntary system still appears to be doing its stuff, then Mitchell and St. Laurent have fairly plain sailing. If a referendum was announced, St. Laurent, apparently, would have to take the position that he would only remain in the government so long as conscription was not applied. Mitchell, I gather, will not give any commitment which would close the door against conscription, if and when it may be necessary.

Big-army programme probably will not be announced until after session resumes.

3. 12 January 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Alex Johnston, General Kenneth Stuart, John MacNeill, David Rogers, B.T. Richardson, and J.W. Pickersgill. J.E. Michaud was minister of fisheries. Camillien Houde, mayor of Montreal, had been interned since 1940 for suggesting publicly that Canadians should not take part in the national registration provided for in the National Resources Mobilization Act. On 26 January 1942, Prime Minister King announced the gift to Great Britain of one billion dollars in sterling balances that had accumulated to the credit of Canada. At the same time he announced a seven hundred mil-lion dollar loan to Great Britain backed by British held securities as collateral. It was the latter part of the agreement that aroused the objections from British Treasury officials to which Dexter refers below. See D.H. Fullerton, Graham Towers and His Times (Toronto: McClelland and Stewart, 1986), pp. 144-146. On 24 December 1941, General Stuart was promoted from vice chief to chief of the general staff, succeeding General H.D.G. Crerar who was detailed to be G.O.C. 1st Canadian Corps in Britain, in succession to General A.G.L. McNaughton who became G.O.C. First Canadian Army on 4 April 1942. Field-Marshal Erwin Rommel was commander of the German Afrika Corps.]

Mr. Crerar has written to the Chief but to keep the memos complete, will go over the story. He has been sounding out the French Canadian ministers, with interesting results. Cardin and Dandurand

are unchangeably opposed to conscription, but the rest of the boys are of a quite different viewpoint. They think a referendum will solve the problem.

Michaud has been doing most of Mr. King's scouting. The Cardinal [*Villeneuve*] has seen King, the bishops have been consulted, also Godbout and the leaders in the various constituencies, etc. There is a small, immovable rump but the Cardinal, the bishops, Godbout, etc. all believe that if Laurier's policy is followed and a referendum held, conscription can be carried. Note Godbout's last speech, if conscription necessary to win the war he would support it, etc.

Cardin has been very troublesome. His condition compels him to take medicine to stimulate his heart and very often he is either over or under par, very quarrelsome, most uncompromising. Dandurand's mind is rigidly opposed to conscription.

Cardin had a long talk with Col. Dubuc of the Rlys and Canals department - an old friend - and Dubuc retailed it to Alex Johnston. Cardin's position is that Canada is not involved in this war at all. We are doing what we are doing as a matter of sentiment-It would be a good thing for Canada if Britain is licked: then our Imperialists would disappear. Cardin definitely likes Petain and Vichy: likes this kind of a government setup. He certainly is no democrat. Cardin and Angus [*Macdonald*] had an appalling row in cabinet last week. I've been hearing about it, but not the reasons. I imagine that Cardin must have expressed his views more openly than usual. Angus apparently told him that holding such views it was an outrage that he continued to be in the cabinet; that he would do better along with Houde and so on.

Dandurand has not changed at all from his old belief that as in 1914-18 we are just helping Britain; we are in no danger whatever, and so on.

I think Cardin's days in the cabinet are numbered. He'll go to the Senate.

The feeling among ministers for a referendum seems to be growing. Angus is solid, now, also Ilsley. Ralston, I am told, thinks this is the best way out. He will campaign for the right answer.

Davie [*Rogers*] and Rich [*B. T. Richardson*] lunched with Gardiner at Regina on Jan. 9, and Rich wired me re Jimmie's talk on coming speech by King. Jimmie told them that cabinet had decided to make a billion dollar grant to Britain to start 1942-43 right. There would be no cancellation of existing British deficit, settlement of which would be arranged.

King intended to do a broadcast but has changed his mind, and the speech is now to be made to parliament on the Address. King will announce the big army and say this is all the generals want. The section on British debt is not in final form because British Treasury officials wont agree to our terms. John Pickersgill is doing the speech and as a former collaborator (on King's price ceiling speech) I read this part of the text as it now stands. We can't write on it because there is no agreement as yet. We made our proposition to Churchill who thought it was "magnificent", but apparently he isn't so hot on finance, as the British Treasury thought it was the most cold-blooded, outrageous, thumb-screw and leg-boot torture - chamber scheme they had ever heard of.

So far as I can understand it, there are two aspects-the past and the future. The dividing line would be this fiscal year, March 31. The past-all Dominion government and national railways debt to be repatriated.

No other debt - provincial, municipal, C.P.R., private companies, etc., - to be repatriated. Reason - it might be bad to kill off investors' interest in Canada. Might encourage Britain in post war years to buy more from Argentina than from Canada. Being able to pay interest on debt with goods has desirable points and the Bank of Canada now does not desire to push repatriation beyond direct and indirect Dominion securities. Why take over provincial bonds under repatriations? If the Dominion took them over, the provinces would dig up a case for cancellation.

For the balance of the war, the holders of Canadian securities in Britain will be paid dividends and bond interest in sterling by the British Treasury. The paying companies in Canada will write out their cheques to the Dominion treasury. When all the loose ends are tidied away there will remain some 700 millions of dollars owing us by Britain which will be written off in one way or another-British investment in war industry; Britain's share of the air training plan, etc.

The future: we take everything in the way of current income we can get out of the British and give the balance as our contribution to the common pool. We take, for example, current dividends and interest paid on our securities in Britain; the sums realized by British exports to Canada; there may be one or two other nuggets, though I can't remember them. We also insist on repatriating Dominion direct and indirect obligations as and when they can be rounded up. But the balance, and it will come to around a billion this year, we throw into the pool.

It seems to me that the British couldn't get a better deal than this. In net effect, they are left with all their investments except Dominion [securities] and will get vast supplies of food, munitions and so on free. There will be no debt to settle after the war.

Had a talk with Ken Stuart the C.G.S. on Friday. Had to do a wee sketch of him. He told me about the big army with the greatest satisfaction. I asked him if a Canadian army of two corps plus two tank brigades was absolutely all the general staff wanted in this war. He said-absolutely all. This he said is the kind of an army a soldier dreams of commanding, hard-hitting, beautifully balanced, incredibly powerful. It was, for example, an army which could beat Rommel in Libya. One corps of three infantry divisions; another corps of two armoured divisions; two additional infantry tank brigades.

I fancy King will say that the new army plan represents precisely what McNaughton et al. want. The problem will be one of reinforcements - not new units.

I would like to know what you hear about Meighen. I have been astonished by the attitude of ordinary folk here, who are not interest-ed in politics. They just have no use for Meighen-regardless of what he says. I have in mind a preacher, a florist, a geologist, etc. They regard him as a bad-tempered man, a big-interest [man], selfish and so on. Several have recalled Meighen's opposition to the legislation reducing the rates of interest on instalment purchases. ...He complained about the cut. Wouldn't it be odd if he failed to catch the public ear and lost out again? Gosh he would go really sour then. ...

John MacNeill tells me that he helped Newcombe burn all the First World War conscription records in the Justice department. Newcombe burned his records at the same time as [Chief Justice] Duff burned his. Duff had all appeal papers. Newcombe (deputy minister of justice) had all administrative documents as conscription was enforced by Dept of Justice. Reason was that files just dripped with political favoritism of all kinds, wire-pulling, etc.

4. 14 January 1942 [DP, QUA].
[Information in the following memorandum came from J.T. Thorson.]

I don't know if the national selective service story made sense to you. Anyhow, the whole procedure here is without sense. Joe Thorson has come to the conclusion that nothing worth mentioning should be done.

He has abandoned his earlier robust plans for lining up our manpower.

He set out with the idea that he could create a flock of boards across the country which would sift the population and draw up two basic lists, (1) the lads who should fight and (2) the folk who should be in war industry. He had no sooner got to grips with the problem when the Labor dep't and Munitions and Supply began to snipe at him. Labor is bound that it must do the job although the Labor department hasn't got the personnel to do it. In my opinion, to turn the national selective service chore over to the Labor department would be equivalent to abandoning the idea. And that is what I think will come out of the scrimmage. Munitions and Supply is opposed to disturbing the situation and, as a second-string opinion, would much prefer to have Labor disturb it than National War Services. It may be that there isn't any distinction between these two reasons. Then Agriculture comes strongly into the picture, though I overlooked this in my story. Agriculture, owing to Jimmie Gardiner's period as minister of National War Services, is fairly well entrenched in that department and is opposed to having the job done by Labor.

What is the idea of national selective service? Presumably to organize the country for war-fighting and working. Well, as Joe points out, the army has got its programme and has expressed its belief that all needs can be met by the voluntary system. No need for a change there. Howe says he has all the workers he needs and fore-sees no shortage. No need for a change there. The whole thing ends up in an entirely defeatist way.

As for the cabinet, there is no keen interest in national selective service. The ministers are thinking chiefly in terms of conscription, Meighen, the Globe and Mail, the possible bolters etc. etc.

Having carried the big-army plan, Ralston, Ilsley and Macdonald (who appear to be operating as a kind of battle squadron) have taken a strong position for a decision on the conscription issue. Angus and Ilsley believe a referendum essential. Ralston would enact conscription forthwith but is quite willing to go through the referendum technique. All three believe that an announcement in the Speech from the Throne is essential, and today some of their colleagues were wondering if they hadn't decided to make this an issue - put it in the Speech from the Throne or we'll quit, sort of thing. The middle-ground people like T.A. want to hold the country together. If a referendum is the way out, all right. If national selective service is the way out, all right. There are two factions in

Quebec - Cardin and Dandurand who are irreconcilable, and the rest who would prefer not to mention conscription but if it must be faced, would favour a referendum.

But St. Laurent points out that he may have a nationalist opponent [*in his by-election in Quebec East*] and that an announcement of a referendum prior to voting might be very serious. It would compel him to discuss the policy in the campaign in a way which might be highly embarrassing elsewhere.

Everybody seems quite clear that the referendum will be a request by the government for a free hand to use conscription if it is necessary. But everybody is equally clear that the voluntary system in every respect will continue to be followed, after the referendum carries, indefinitely.

Just when everything was about to boil over, King retired to Laurier House for a week - leaving his ministers immensely frustrated. Will the three bluenoses try to beard him?

He is due out the end of this week.

I know, Geo, this isn't pleasant reading for you. There is no doubt that the referendum is certain to be held. It is only a matter of timing. Ralston et al. argue that the Tories will lay down an amendment right off which will make the govt's referendum look like a desperate defensive move. They want to beat the enemy to the punch. On the other hand, if during the Quebec by-elections, Lib candidates began talking of a referendum without real meaning to Quebec-probably never be used, no intention of applying compulsion etc. etc.-the whole thing might be discredited in the English-speaking provinces.

I've an idea the Maritimers will win out.

5. Letter from G. V. Ferguson to Grant Dexter, 15 January 1942 [DP, QUA].

... We have written again and again since June, 1940, that our belief, based upon repeated Government statements, was that the industrial speed-up in Canada was on such a scale that its completion would strain our resources to the very limit, and that in the light of this vital function it would be advisable to go very slow in the mobilizing of manpower for army purposes. Our policy was soundly based and wise, but it seems to me that there is every likelihood that the ground has been cut out from under our feet. The question there-

fore arises whether we should not adjust ourselves to new conditions in pursuance of the only real policy we have i.e. that our war effort be the very largest that the country can carry.

You tell me that selective service now goes down the drain (a) because the army believes it can raise its larger commitments on a voluntary basis and (b) because Howe is satisfied he can get all the industrial hands he wants without trouble. Howe obviously is the villain of the piece, and his shortcomings as a long-range planner now overtake him. The superstructure of his industrial effort is much greater than the basic-material foundation. Can this be fixed at this late hour?

I doubt it. It is now too late to begin building steel plants. That means we become beggars at the door of the American production set-up. The only practical possibility of expanding the industrial effort is by double and triple shifting existing plants; and it seems to me reasonable that we may be able to get the basic materials from the U.S. on that basis, though we cannot get them for purposes of expanding plant. You will remember that, when the editors were questioning cabinet ministers at the end of November, Howe spoke most complacently about his scheme and poured some cold water on the idea that double and triple shifting could be done much more than it has been. Is there any way of discovering how much of it is being done now? This is vital if we are not to be driven clean off the position we have taken up.

As to the army's contention that they can get the men they want for their larger army without compulsion, I doubt if they believe it themselves. They can't. They know it and we know it. In addition there is the psychological background in the country at large which, as the Chief points out, now reaches boiling point in various key places. This has of course been heightened by the fact that the reaction of the nation at large to the extension of war into the Pacific was that our obligations had increased and that we must do more. Apparently the reaction in Government circles was that we could lie back comfortably and let Uncle Sam do it. The failure of the Government to announce a single new policy since Dec. 7th has had a lousy effect on opinion.

What is our duty under such circumstances? It seems to me that if Howe is completely stymied we must fall back on the use of our manpower resources in the next best way which is, I presume, in the creation of a larger army. This is lamentable, but obviously we can't just go on as we are. I profoundly distrust all these estimates of manpower

that we have been quoting so largely for months past. I believe we have a lot of fighting men left yet; and if we had conscription properly applied we could dig them up out of the cushy jobs they now hold; we could dig them out of war industry; and we could get scads of them in the Ottawa civil service alone. This town is lousy with sons of the best people, ranging in age from 28 to 35, who now serve heroically on war loan publicity committees. I walked down Portage avenue last night and between Donald and Carlton counted 2 soldiers and 15 young civilians heading for movies or poolrooms or whatever other nocturnal amusements the youth of 1942 seek out. The instinct of the ordinary man who tells you there are lots of young fellows around is probably sounder than the statistical information the Government is getting.

I don't deny there are shortages e.g. in farm help and in other lines, but a good combing over would produce soldiers if we can't produce anything else, and we had better get at it. If we had selective service, we could fix up the farm help situation without much trouble. The young men in this town who go riding of a Sunday after-noon know enough about animals to go to a farm if they were sent there; but I can assure you that your young city slicker has no intention of becoming a yokel (whom he despises) if he can help it. In which case, you bloody well make him do it, or make a soldier out of him.

The Chief agrees with me that we must take an increasingly critical line. We have, of course, always been much more independent than many people have thought us; but if it becomes proven that we cannot expand industrially either by building more plants or by double shifting, then we must go in for a larger army and conscription and all the rest of it, and without making any bones about it. I note that Bruce [Hutchison] has reacted to your memos in much the same way.

I don't know how long we can wait before taking this line pretty vigorously. Certainly the complacency at Ottawa is simply horrifying.

6. 17 January 1942 [DP, QUA].

[Information in the following memorandum came from Victor Sifton.

In October 1941, and in response to a request by the British government, Canada sent two battalions of infantry, the Royal Rifles of Canada and the Winnipeg Grenadiers, commanded by Brigadier J.K. Lawson, to reinforce the British garrison at Hong Kong. The Japanese attacked Hong Kong on December 8 and the garrison surrendered on

Christmas Day. George Drew charged that the Canadian troops had not been properly trained, and the Toronto Evening Telegram called for a parliamentary inquiry. Instead, on 12 February the government appointed a royal commission headed by Chief Justice Sir Lyman Duff. Charles Vining was director of the Wartime Information Board. Brigadier H.J. Riley was D.O.C. Military District No. 10 (Winnipeg).]

... The Hong Kong statement is very interesting. Drew's speech you've seen. His reference to the lack of training drew the Globe's editorial and the Tely, on the same day, called for a parliamentary investigation. Ralston was disturbed but being tied up vetting the big-army section of W.L.M.K.'s forthcoming speech, he asked Victor to draft a statement for the press. Victor decided he should ignore Drew. If Drew can draw a ministerial statement every time he takes a crack at the army, he'll keep it up.

The statement led off with a general paragraph on public interest in all detail, etc. Then a plain record, chronologically, of inception, formation and departure of this force. This record states that the troop ship went with unfilled space for 14 bren carriers and that the cargo ship, being slower, only reached Manila.

The general staff had turned in a memo saying that the men were completely trained. The sum-up was that Ralston had the assurance of the general staff as to training.

That he had inquired into 14 bren carriers matter and found a degree of negligence and had taken appropriate action. Also he was not certain, re slowness of cargo ship, that other and more suitable arrangements could not have been made and again had taken appropriate action. The appropriate action is the retirement of Schmidlin [*as quartermaster general on 12 January 1942*]. Ralston tended to boggle because in his Schmidlin statement he had given ill health as the cause. But he figured this wasn't conflicting - ill-health, slipped up in work, etc. etc. But he hated to do it and the matter stalled while he consults Charlie Vining who will be back from Washington on Sunday.

This looked okeh, until Ralston began delving into the file and, by chance, came across a radio report from the ship from Lawson, who reported that the men had not been properly trained and he was trying to catch them up on ship.

Ralston called in Stuart and floored him with this. I was urging Victor to get him to ask for a report from Riley - recalling that you had mentioned a conversation with him on this matter. Victor pointed out that the statement as drafted left the onus on the general staff and, if

Stuart's report turned out to be inaccurate, Ralston would have whatever recourse he desired. The general staff, therefore, has become involved and we may do better than we hoped. Ralston hankers after a judicial or a parliamentary inquiry. Victor can't understand this.

7. 20 January 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Norman MacLeod. Dr. R.J. Manion was chosen leader of the Conservative party at its convention in 1938, but after his defeat in the general election of 1940 the party discarded him. On learning that he was in financial straits, Mackenzie King arranged to have him appointed director of air raid precautions, a post he held until his death in 1943.]

The closing cabinet discussion on the conscription referendum yesterday afternoon and evening was unexpectedly happy. King came the whole way on putting a reference to the referendum in the Speech from the Throne which placated the Maritime members. Cardin apologized for earlier outbursts and while making a last-minute rally in favor of withholding the announcement until caucus could be consulted, came around in good temper. Dandurand fought to the point of decision and then bowed to the majority and there-after showed no rancour whatever. He explained that after all he was not within reach of the electorate and could be, perhaps, more philosophical than others.

Ralston then rocked the boat by urging that Mr. King, in his speech on Monday, include a passage (which he had neatly drafted) to the effect that immediately after conscription had been approved [in the plebiscite], the government would introduce a bill in parliament repealing the section of the National Resources Mobilization Act which denies to the government power to conscript for overseas service. This was met by T.A. who said that to shove the issue into the Commons in a form like this would bring divisions and bitter-ness and undo much of the good which had been accomplished. He had taken the same line against Cardin's proposal for delay. King backed T.A. up. The feeling was that when the time came to make use of the power to conscript, say six months hence, the government would proceed by order-in-council.

Ralston's attempt to push the cabinet just a little farther, taken along with his outright advocacy of conscription all the way through the struggle, was unfortunate. T.A. says that Ralston in addition to wanting

to wear a hair shirt, desires to have gravel in his shoes. The anti-conscriptionists in the cabinet have become very suspicious of him-believing that he mistrusts his colleagues, has small use for the government, is the tool of the generals who will never be satisfied however large the army is.

It is felt that Meighen and the Conservative conscriptionists will be furious over the referendum and very early in the controversy they will accuse the government of bad faith, say that the govern ment is just hoodwinking the people and will never use the power being asked for. It is felt that such a line of attack will help greatly in Quebec and aid in getting a thumping majority for conscription.

Norman MacLeod, the leading Tory in the Press Gallery, was telling me this morning that he hears from the boys in Toronto that Meighen is having a much harder fight than was anticipated. There is a large labor vote in South York and these people seem to be very cold towards Meighen and inclined to listen to the C.C.F. attacks on him. It is, of course, not thought possible that Meighen could be beaten, but anything like a reduced majority or a narrow squeeze would just about put the lid on him and on the Globe and Mail campaign. The campaign seems already to be petering out. They have been unable to get the heather to burn. The stout, Tory, anti- King furze bushes have burnt very fiercely indeed, but they can't keep burning indefinitely and the big fire refuses to get lighted. If George McCullagh has sense he would fold up the campaign in triumph when the referendum is announced and claim all of the credit for it.

He [McCullagh] was in town the other day and accosted Manion in the washroom of the club, within my hearing. Manion is working for the government. Said George: "How do you like working with these sons of bitches." Said the Doctor: "Well, I find it not a bad change from the sons of bitches I was working with."

8. 27 January 1942 [DP, QUA].

[Information in the following memorandum came from Victor Sifton, T.A. Crerar, Louis St. Laurent, and Senator Norman Lambert. Premier Godbout, speaking in Montreal on 26 January was reported in the *Globe and Mail* as saying that Mackenzie King had always been opposed to conscription for overseas service and would not impose it. To impose it at the present juncture, Godbout added, "would be a crime." "Mr. King knows that England doesn't need men", he said, but rather munitions and food. Dexter talked about the speech to St. Laurent and L.P. Picard, Liberal member of parliament for Bellechasse, but not to Bernier, for there was no MP of that name. St. Laurent, according to this memo, is oversimplifying in connecting Quebec nationalists too closely to Duplessis. In fact, they were a varied lot,

as the composition of *La Ligue pour la defense du Canada* and Le Bloc Populaire Canadien subsequently made clear. What Dexter meant in the final two sentences of this memo is a little obscure. Probably he is saying that if Meighen is removed, the war effort can be maximized without disrupting national unity.]

Ralston continues to be very unhappy about the Hong Kong investigation and also, and curiously, about the decision in favor of a plebiscite. He unburdened himself at length last Friday to Victor. And he was quite frank in showing that he has nothing but contempt for King. King had written him a note of sympathy regarding the Hong Kong inquiry-coming on top of all his other distractions. Ralston tossed the note across with the comment that Victor would know how much that meant and then added this significant phrase: After the inquiry is finished I will not be able to lead any revolt against this government. He dislikes the plebiscite compromise intensely, although he was himself more than anyone the author of it and, along with the rest of the cabinet agreed to it. He was, indeed, drafting his resignation from the government when V entered his office, and showed the draft to him. Not that he can take any such line at least until the Hong Kong inquiry is ended.

T.A. remarked today on the extraordinary position Ralston is now in. T.A. quite frankly hopes that Ralston gets a bad time in the inquiry. He knows that at various times Ralston has been on the edge of resignation or revolt.

The Godbout speech is very deeply regretted here. I have been talking with Quebec men - Picard, Bernier, and chiefly St. Laurent, who is just off to Quebec on this afternoon's train.

St. Laurent felt badly about the speech. They telephoned Godbout but he spoke extemporaneously and couldn't remember exactly how he had put it. He was sure, however, that he hadn't tried to commit King. He was faced with a gang of nationalists who evidently had come to destroy his meeting. St. Laurent discussed the Quebec situation and his own position very frankly.

He said that Godbout was solidly with them in the plebiscite policy and that the chief worry about him was to prevent him over-exposing his own position. Continued possession of the provincial government by Godbout was essential to the whole piece. If Duplessis could overthrow Godbout, national unity would be lost and outright opposition to Ottawa over the whole field of war activity would follow. This, he thought, would be disastrous. Therefore, they had cautioned Godbout to play safe and protect his government in every possible way. The [Quebec] legislature will meet late in

February and the nationalists will at once offer an anti- conscription resolution. He has no idea what will happen but hopes that reason-able forces will have gained much ground in the meantime.

For himself, he says he is entirely without platform experience. There is no opponent as yet in any of the Quebec seats but he thinks the nationalists will nominate one or two men against him very soon. He has no idea if he will be able to meet the rowdy element and hold meetings successfully. If not he will take to the radio.

He will stand solidly with King. He pointed out that the easiest thing for King to do would have been to let Quebec take it on the chin, to reorganize his government and isolate Quebec. Instead of doing this, King had elected to take the dirt himself and to place the Liberal party squarely between the two extremist points of view. He will never desert King in making this stand.

The great danger, he said, was that English-speaking extremists will react on the Quebec nationalists and vice versa until the middle-ground people are destroyed.

With respect to Quebec, he said, the rest of us should understand clearly the nature of the nationalist movement. The Quebec nationalists, he said, comprise a small but very wordy element which is the core of Duplessis' organization. They are interested only in the Quebec sphere. They are not at all concerned with national affairs except to the extent that they can exploit national issues for their own purposes. They did very well out of Duplessis when he was in office and their goal, at this time, is to capture the provincial government. From the national point of view, therefore, they are completely irresponsible. They care not at all what effect their actions in Quebec may have on national affairs.

He proposes in his campaign to take this line:

Quebec is part of Canada and the Quebec people must make up their minds that they cannot have things in this war the way they want them. They cannot have their way. They must be prepared to make sacrifices in the interest of national unity.

If they will not do this, they will become isolated, a kind of Jim Crow area in North America.

But, again, if they are prepared to yield ground and meet English-speaking Canadians half way, they can hold the country together and obtain a reasonable compromise. If they refuse to do this, they will only succeed in turning the national government over to the opposite extreme-Meighen and his group. Therefore, the question they must decide is whether they will make sacrifices and maintain their place in the national

sphere, or isolate themselves and turn the province over to a Meighen government.

He believes that he can win on this ground: that the great body of reasonable opinion in Quebec will support the Liberal point of view. But he also says that it is much too soon to say what support the nationalists will be able to drum up. The two extremes react sharply on each other.

I think I should go to Quebec, if St. Laurent is to do any campaign speaking, and report him fully along this line. It would show that the government in Quebec is resisting the nationalists just as, in the rest of the country, it is resisting the Meighen group. He inclines to think that if the flames can be kept down until after the plebiscite, and the national verdict is "Yes", it will be comparatively easy to carry Quebec the rest of the way. But there might be a delay in actually applying conscription. The need for it would have to be clearly demonstrated.

T.A. is not really worried about the situation. He foresees a steady increase in controversy. He thinks that if the government can hold the party together during the next three or four months, the reaction to the Meighenites and the nationalists will make things much easier.

My information is that Meighen is having a very hard fight [*in the York South by-election*]. I get this from the Toronto boys and I judge it to be true by the reports of Meighen's speeches and by the support he is calling up in Liberals like Hepburn.

Norman Lambert told me this morning, very confidentially, that the C.C.F. had come to him and asked if the Libs would give the C.C.F. $1,000. They said they felt sure that, given this money, they could beat Meighen. He went over their campaign organization and all the detail very carefully and was tremendously impressed. He said it reminded him very much of the old Progressive organization. They have 500 voluntary workers and he says that one voluntary worker is worth a dozen hired ones. In Ontario, voluntary workers have been for years as rare as the Dodo. So far they have raised $2,200 and he was impressed by the smallness of the additional sum they required.

Norm undertook to raise the money. He will do so among Liberal senators and his only fear was that he might be killed in the rush to whack up. The first senator he spoke to wanted to have the keen delight of putting all of it up, but I understand that he spread the amount around.

I do not know what to make of all this. I can't believe that Meighen will fail in a seat like this, but it is true that there has been a very large

inflow of wage earners into war industry since the last election. I do feel, however, that if Meighen is licked, our fight will be won. We have plenty of driving force from within the cabinet to get what we are looking for.

9. G.V. Ferguson's memo of a phone conversation with Grant Dexter, 28 January 1942 [DP, QUA].

It is estimated that some 15 Quebec Liberals and 5 or 6 English-speaking Liberals will bolt on the plebiscite policy. This does not worry King who is satisfied with that situation and satisfied also with general reaction in the country.

A much more serious situation, however, has arisen. Council has laid before it today the latest manpower report (prepared by Sandy Skelton). This shows even fewer men available than any former report. Ralston reared back and refused even to discuss it. Said it was absurd. There followed an acrimonious discussion in which it became apparent that Ralston had now welched completely on the compromise reached in Cabinet, that is, for a larger army and for the plebiscite. Dexter reported that, when Crerar was telling him about this, he was angrier than he had ever seen him.

Ralston wants the plebiscite called off forthwith and conscription applied at once in the most direct way. If he does not get his way there is a strong chance he will resign.

In Dexter's judgment, what has happened is that Ralston, who is extremely sensitive, finds himself harried by the conscriptionist pounding and by the conscriptionist press. He has no feeling for Quebec at all, gets no reactions from there. The other crowd, however, is in his hair.

Ralston says he will not support the agreed policy in the House, that someone else will have to do the reporting to that body on the state of recruiting and so forth.

Victor has been apprised of the situation, and is waiting a chance to use soothing syrup on Ralston, but doubts (1) if he will be given the chance, and (2) whether there is enough syrup.

King, who is prepared to meet the extremists at both ends, has been bowled over completely by Ralston; and if Ralston quits, it may be that King will also.

Crerar's comment is that a policy designed to effect or to maintain unity seems already to have failed as the unity, which could begin only in the Cabinet itself, has broken down at its starting point.
Dexter had no knowledge of how the other members were thinking.

10. 5 February 1942 [DP, QUA].
[Information in the following memorandum came from Phileas Cote. At a by-election meeting in Quebec city, St Laurent spoke about conscription and the plebiscite. "Not one dollar, nor one man", the Globe and Mail reported him as saying, "will be conscripted for anything but the defence of the country. ...That does not mean that the defence will be made solely on Canadian soil." Because of the defence agreement with the United States, "it may be necessary to send men out of the country; and, unlike the situation in World War I, the threat of invasion in 1942 was a very real one." He told the meeting that he would probably return and ask them to vote `yes' on the plebiscite. Oscar Drouin was a member of Premier Godbout's cabinet. Humphrey Mitchell, newly appointed federal minister of labour, was contesting a by- election in Welland.]

... Today we are feeling pretty much on top of the world. If St Laurent can pull this off, after his speech of last night, then the Quebec nationalists will have got it right between the eyes. Godbout and Drouin both spoke against conscription for overseas service and Phil [*Cote*] tells me that they worked very hard on St. Laurent to take their line. But he was too honest and too courageous to play that kind of a game, and he came through with his statement in favor of conscription for overseas service. A great guy.

Hanson and his pals feel certain that Meighen is beaten and I do not think there is any wishful thinking in their attitude. My last report from Mitchell is more favourable, and it is interesting that the Globe is trying to help him out, in the pinch, by such devices as praising Howe.

11. 9 February 1942 [DP, QUA].
[Information in the following memorandum came from a report of the Department of External Affairs for cabinet and interviews with senior members of the department. General Sir Alan Brooke was chief of the imperial general staff.]

Six United Kingdom-United States combined boards or commit-tees are now being organized to assure the maximum co-operation in the war. They are the result of the Churchill-Roosevelt conference last December and January.

As it turned out to be impossible to agree to make either capital supreme in the war organization, all of these boards except one (raw materials) will be dual: there will be two of each, one in London and the other in Washington.

It is proposed that the London boards will co-ordinate the war effort of the British Empire and the nations whose governments are in the United Kingdom. London will cover in its control, the war in Europe, the Near and Middle East and the Indian Ocean. The Washington boards will cover China and the Far East and will be responsible for consultation with Latin America, China and Russia. New Zealand and Australia have refused to accept direction from London. The far eastern political council was to have been located in London but Australia and New Zealand insisted that it be moved to Washington. It has been so moved.

In the whole set-up, the special relationship between the United States and Canada has either been overlooked or ignored.

Proposed set-up:

1. Combined U.K.-U.S. chiefs of staff committees at London and Washington.

2. Combined U.K.-U.S. planning committees at London and Washington.

3. Combined U.K.-U.S. Munitions Assignment boards at Washington and London. Mr. Harry Hopkins and Lord Beaverbrook are the chairmen. The members of these boards will represent the chiefs of staff and will report through them.

5. Combined Raw Materials Board at Washington only. The chairmen are William Batt and Sir Clive Bailleu.

The sixth board is not enumerated and I overlooked the omission-didn't ask about it. Will do so and advise.

An agreement has been drawn up governing all of these boards. The boards are to consist of representatives of the two governments only. There is a provision, however, for associating others of the United Nations in the work of the boards: "these bodies will confer with representatives of the U.S.S.R., China and such others of the United Nations as are necessary" etc. This is the only reference in the agreement to any other nation, except with respect to the raw materials committee-"in collaboration with others of the United Nations, work towards the best utilization of their raw materials" etc. etc. The agreement, however, does not purport to give any of the boards so set up authority or control over the resources of any other state than the U.S. and the U.K. without the consent of that state.

The Munitions Assignment boards in theory control the munitions resources of Great Britain and the U.S. Canada is not specifically covered. But undoubtedly these committees expect to allocate the whole of the munitions output of the British Empire and of the United States. In practice this is what these boards will try to do. The boards will endeavor to control all the completed war equipment of British or U.S. type ordered in the United States by Canada and all the completed equipment manufactured in Canada to Canadian, British, U.S. or other order. The Washington committee will allocate either to the U.S. or those with whom it deals and the London committee will allocate to the British Empire and the nations with which it deals.

Canada's position is very obscure. On January 28 the United Kingdom telegraphed proposals for the machinery of consultation within the Commonwealth on the matters controlled by these committees. The proposal was for consultation in London only-none at Washington. ...

No account at all is taken of Canada's special position as a producer and supplier of raw materials and munitions. Our special arrangements with Washington are ignored. We have been coordinating raw materials problems at Washington but this, presumably, will cease. Nor is there any real Commonwealth machinery. We are only to establish liaison officers to keep Ottawa informed of decisions. We are not to participate in the deliberations in London. There is no Canadian representation on any of these boards. The Commonwealth is to speak only through the U.K.

The Canadian government must now decide what to do about this. The department [of External Affairs] suggests that consultation at London only is impossible. The shipping committee may be ignored as it doesn't concern us. As for the other committees, we are vitally concerned. The government, the department suggests, has four alternatives open:

1. It can ask for full and separate representation on all the boards-never mind the shipping one. This is almost certainly impossible. The main agreement between the U.K. and the U.S. is in final form and signed. It would have to be amended and the United States is strongly opposed to separate representation by the Dominions for the same reasons as Wilson was opposed to them being full-fledged members of the League [*of Nations*]. The U.S. wants to deal with only one equal.

2. Canadians might be attached to the U.K. joint staffs at Washington-making it a U.K.-Canadian joint staff. If the other Dominions insisted on equality it would have to be a Commonwealth Joint Staff.

Take the planning committee which consists of six members in each case-three and three. When Canadian interests are involved one of the U.K. three might be a Canadian. This would be a kind of Commonwealth panel system. The same might be done re the munitions committees.

This is the solution suggested by the General Staff with the proviso that our representative must be one of their men and must report through the chief of the general staff to the govt. This, it is urged by the General Staff, is much the same system as we work in the army. McNaughton takes orders from Brooke, but can always appeal to Ottawa. Thus our man on the committee would take orders from the committee as a whole (majority control) but might always appeal to Ottawa.

The objection to this alternative is that we have no direct association with the United States. We might often wish to line up with the U.S. but being members of the U.K. side of the committee, we could not do so. But if we merely want to get inside the doors and know what is going on-regardless of the constitutional implications-this is a sound suggestion. Only by associating ourselves with the British can we, apparently, be sure of participating in the committee discussions.

3. We can take up an independent position outside of the boards, with liaison machinery both at Washington and London. Washington might object to this, but it could probably be put over.

This, in essence, is the U.K.'s proposal for the London end of the combined boards-stretched to apply at Washington. It would, to a great extent, carry on our position at Washington as it was prior to the creation of these boards.

It must always be remembered that none of these boards can commit Canada to anything without Ottawa's consent. If we leave the initiative to the U.S.-U.K. boards they will have to consult us whenever our co-operation is required. In the case of the assignment board, consultation would seem to have to be continuous.

Perhaps the ideal course in this kind of a solution would be to set up a military mission at Washington, to dress up the liaison, but Washington has told us that it does not want this. Or, we might get

around Washington's objections by enlarging the Canadian U.S. Joint Defence Board.

4. Canadian officers might become part of the British Joint Staff (as our general staff advises) but above them an outsider, a senior Canadian officer or officers, might be attached to the Canadian Legation at Washington. The senior men would be independent and over the lads who had become part of the joint staff. If this alternative is selected, because it enables us to be independent and get on the inside also, it would be best that our three services agree on one man and not insist on sending an army chief, an air chief and a navy chief.

The Raw Material Board. Here we have a very special position. U.S. Canadian machinery is already in existence and is to be destroyed. This board is to meet only in Washington.

London has advised Ottawa that the British representatives on this board are apt to speak for the whole Empire and will deal with London where a clearing-house representing all parts of the Empire is to be set up. That is, we are to proceed via the clearing-house in London to Washington.

In this case, however, Washington wants to deal with all North America, rather than speak only for the U.S. Washington wants Batt to be the spokesman for all North America. There is no suggestion that Washington wants us to be represented.

The department is of the opinion that while both proposals are undesirable, it would be better for us to be associated with Washington than London. This position is still fluid. There is time for representations. Talking with the boys, it is clear that King takes the view that he cannot force direct representation and therefore thinks that our only course is to preserve our sovereignty complete and let them come to us. He doesn't want any compromise of our sovereignty, short of full and direct representation.

Howe is not concerned with the constitutional position but is very much upset about the destruction of the existing machinery. He thinks it is silly to even talk about approaching Washington via London and his line is that Washington and London must come to us. He is up against it for steel but his policy is, if blocked by these committees, to indicate directly to Washington that as we must have more steel for our war effort, and cannot obtain it from the U.S., we propose to reduce our output of copper, zinc and aluminum (of which we produce vast amounts in excess of our own requirements and send the surplus to the U.S. and Britain) and use the manpower so released to enlarge our own steel output. We will expand our own and not bother if in doing so we shut

down U.S. and U.K. war industry. He thinks this will bring all and sundry to heel. Asked if he would go through if his bluff is called, he chuckled and said he'd see when the time came.

12. 12 February 1942 [DP, QUA]

[Information in the following memorandum came from John Deutsch, Victor Sifton, T.A. Crerar, and Bruce Hutchison, associate editor of the Vancouver Sun.
Japanese forces, advancing down the Malayan peninsula, captured Singapore on February 15. General Percival and 85,000 British, Australian and Indian troops surrendered. See S. Woodburn Kirby, *Singapore-The Chain of Disaster* (London: Cassell, 1971). Lord Beaverbrook was minister of war production in the British government.]

... Re war organization. Much talking, John Deutsch, Victor, T.A., Bruce, etc. Deutsch spends much time in Washington and is, as you know, the secretary of our economic planning committees.

We have come to discount, heavily, that part of the External Affairs memo which reports that Washington is against giving us a place on these boards. Washington no doubt wants small, compact bodies but actual developments in Munitions and Supply and Ordnance - known to Victor or to John - tend to show that Washington is not really against us being a principal and will go a long way, informally and unofficially, to help us.

John says that it was the British who insisted on 2-nation combined boards - particularly Beaverbrook. He believes that the British wanted us to be pooled with them because our materials and production (the third greatest among the United Nations) would be a high trump in dealing with Washington. Beaverbrook wanted us as a bar-gaining counter.

The ridiculousness of the proposed position is indicated by this problem which now confronts Victor. He wants chassis, made at Detroit, for heavy cars, assembled in Windsor. He cannot now deal direct with Washington but is supposed to go, via the London clear-ing-house, through the British representatives on the Munitions Assignment Board at Washington.

Apparently the U.S. representatives on some of these boards have passed the word along to Canadians that if we will tell them our story, they will help fight our battles in the committee.

Ralston got hold of the thing Wednesday evening, when the External Affairs memo reached him. He had a session with Victor, and Victor did him a memo last night. This morning Ralston advised

him that he was going to advise the government to take a completely independent line. If we cannot be members in our own right we will have no direct part in any of these bodies. He wants to send a protest to Washington and to London. We will declare our intention of deal-ing with all our own materials and output and it may be necessary, if we cannot get things we need from the United States, to cut down our production of surplus war products and utilize the manpower so freed to make the things we cannot get. And he thinks we should now insert into all war contracts, whether placed by Britain, the U.S. or other nations, a clause reserving to the [*Canadian*] government the right to take over the production if it so chooses. Victor is well satisfied with Ralston on this. ...

Much talk of Singapore. Victor thinks the lesson is that air power is vital. Infantry, etc. is helpless under this kind of aerial assault. We should be drawing the moral, he thinks, and inquiring if our air training plan cannot be enlarged. ...

13. 13 February 1942 [DP, QUA].
[Information in the following memorandum came from Victor Sifton, T.A. Crerar, and Bruce Hutchison.]

Things are moving very rapidly here.

McNaughton, Victor reports, is strongly recommending that Canadian air crew be taken out of the R.A.F. He reports that they are dissatisfied; are being discriminated against in promotions; are being treated as outsiders. Their morale is suffering and there is constant friction between them and the British. Victor put Bruce up to writing a piece urging the gathering together of these lads in Canadian units. Bruce is having difficulty finding a peg to hang it on.

Cabinet today discussed the new [*Anglo-American war*] organization. It was decided without any difference of view to stay out. We will either be a principal or nothing. Ralston strongly supported this line. Howe put up the case outlined in the memo. They must come to us, etc. It is notable that a secondary reason was that the top commit-tees comprise generals, etc. and our cabinet has no confidence in generals.

Cabinet then proceeded to a general discussion of the war programme in the light of despatches and of events as they are unfolding. It seemed clear that our 1942 programme must be reconsidered. A delegation of B.C. members had been to see Ralston (Brucie heard all about this) and insisted that the west coast, including Alaska, was quite

undefended. Ralston called in Stuart and they all went to it on the large-scale map in Ralston's office. Stuart, under questioning, said he thought the Japs could take Alaska with 2 divisions. We have no organized defence even of the string of air fields leading down to the prairies. The defence equipment on the coast consists of the Warspite and a few small ships, six 18-pounders and 20 planes.

Stuart was dismissed and then Ralston told the B.C. men that he did not want to say anything in front of the chief of the general staff, but that it was becoming clear to him that our war programme would have to be reconsidered.

At cabinet wheat policy was discussed as part of the new policy made necessary by the progress of the war.

1. Loss of vegetable oils, brought from the East Indies, is sending the U.S. into large-scale soya bean production. This will reduce greatly their acreage of oats and barley and corn and indirectly, of wheat (some wheat acreage will be diverted into oats and barley). The U.S. has notified Ottawa that they will need oats and barley from us. We will need far more feed grains for ourselves, owing to bacon contract with the U.K. The demands for equipment are increasing.

The agricultural policy, it was evident, must take on an emergency character. For the first time real pressure for increased production will be needed. Looking ahead it is figured that Singapore and Java are probably lost, which will cut Australia off. This will add to our food requirements and the shipping authorities think that for this year there will not be enough ships to draw from Argentina.

A recommendation for doubling the acreage of flax was put in (1,000,000 acres last year) by the Wartime Prices and Trade Board. As it was not clear if our flax mills could handle this added production, no action was taken.

With all this in mind, the sense of the cabinet was to keep wheat prices downish, so that it would be economically advantageous for farmers to grow oats and barley. The wheat price is now around 82 cents, the ceiling. It has been held there by the Wheat Board which has pushed supplies into the market at that price. The outward movement of our wheat is up 1/3 in this crop year.

The prospect is for a 90 cent wheat price. At 15 bushels per acre this would mean a return of $13.50 per acre Fort William. Barley is around 60 cents per bushel and, at 25 bushels per acre, this would give a return of $15 per acre. Oats are around 50 cents and at 30 bushels per acre the return would be $15 per acre. These price differentials are deemed about right and it is calculated that the needed

production can be obtained if they are maintained and a campaign is put on for feed grains. The difficulty about higher coarse grain prices is that they would tend to make it more profitable for farmers to sell than feed, which would defeat the objective.

King told T.A. (they are now desk mates) that he felt certain that the whole war situation would change in the next 60 days and that our programme would change with it.

Certainly there is a growing feeling against sending the 4th division overseas. Equally, the need for men in the army, as against men in agriculture and industry, is falling into a better perspective. Ralston, Mr. Crerar thinks, has been greatly impressed by events and by the by-election results and is not nearly as hard to handle as before. ...

14. 26 February 1942 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar.]

Wheat policy decided this morning: price will be 75 cents plus a 15 cent bonus. The whole-90 cents-to be paid on production of not more than 280 million bushels. Wheat Board able to divide this equitably among farmers and if a farmer produces more than his allotment, it will be his own look-out. This gives the wheat market a margin of 75 cents to 82 cents (the price ceiling) in which to operate.

Prairie Farm Assistance Act remains in operation except that the 80 cent maximum, above which no assistance was to be paid, is to be stricken out. The acreage bonus-$2 per acre on land switched last year from wheat to oats, barley, grass, peas etc. etc., remains. Farmers can't lose. Floors are put in on oats-40 cents-and barley 60 cents. These are about 5 cents below current market. The prairie farm income subsidy of last year is eliminated. He thinks this policy will cost somewhat less than last year's and will bring much greater production of coarse grains. ...

You will recall that number one item is the freezing of farm labor on the farm. This, it was agreed, will involve a subsidy to farm labor and this was suggested at $15 per month for all labor including farm labor, above 15 years of age. The bonus, it was agreed, is inevitable if farm labor is to be frozen. The amount of the bonus was not decided because King was absent from cabinet. It will probably be at the 15 dollar per month rate, which will cost from $70 to $80 millions right off and, I think, will quickly reach $100 millions. To this extent, of course, agriculture will be much better off, particularly in Quebec.

National Selective Service goes to the Labor Department and the only serious criticism in cabinet came from Ralston who objected to the plan because it failed to emphasize the need of military manpower. He got no support for this view and then asked Humphrey Mitchell, who will be administering the plan, if he didn't think that it should be modified in this respect. Mitchell said, No. Ralston then broke out with a statement that the most important phase of our war effort right now was to get men for the armed forces. T.A. sharply disagreed. There was a row and I gather a fairly bitter one as T.A. was still extremely angry.

To meet the B.C. criticism, the general staff had superimposed a new defence plan upon the army plan already announced. The general staff proposes to fill out the 6th division and to raise a 7th division of [NRMA] trainees. One of these divisions will be sent to the Pacific coast. The whole B.C. defence plan is in addition to the programme already outlined by Ralston to parliament.

T.A. fought this. He says he is certain that a breakdown in manpower will come within 5 months. With 90,000 to 100,000 men over and above the 4th and 6th divisions now in the army, we are going to raise additional establishment for home defence.

At the end of the national selective service row, Mitchell agreed to do his best for Ralston and the plan was then approved.

15. 28 February 1942 [DP, QUA].

[Information in the following memorandum came from Prime Minister Mackenzie King. G.H. Lash was head of the Bureau of Public Information in the Department of National War Services. Charles Vining became chairman of the new Wartime Information Board in August 1942 and held the post until the end of January 1943. In the by-elections held on 9 February 1942 two new ministers, Louis St. Laurent and Humphrey Mitchell, were elected; Arthur Meighen was defeated. Dr. Herbert A. Bruce was Conservative MP for Toronto Parkdale; Jean-Francois Pouliot was Liberal MP for Temiscouata. Sir Henry Maine, a leading nineteenth century British jurist, published Popular Government in 1885. On party government he wrote: "the truth is, that the inherent difficulties of democratic government are so manifold and enormous that, in large and complex modern societies, it could neither last nor work if it were not aided by certain forces. ... Of these forces, the one to which it owes most is unquestionably Party." See Popular Government, 2nd edition (London: Murray, 1886), p. 98. King's monograph, Industry and Humanity, contains only one specific reference to Maine: "Sir Henry Maine has shown that it is the movement from status to contract in organized society which distinguishes advanced communities from barbarous" (p. 106) Contrary to Dexter's claim, King's little volume, The Secret of Heroism contains a great deal about Harper, profusely illustrated with extracts from his journal and letters.]

Brucie [Hutchison] and I had a long talk with King yesterday afternoon. In parts, the talk was intensely interesting.

He saw us in the little cubby-hole office he has back of the House of Commons. This room used to belong to the Sergeant-at-Arms. But when, back about 1925, Col. Bowie, the Sergeant-at Arms, carried out an ill-timed raid on members' rooms to search their desks for liquor, King took advantage of the unbounded indignation to cut Bowie's throat and chuck his successor out of the quarters. The office is just across the hall from the Commons entrance alongside the Speaker's throne.

Bare little room with low ceilings, a desk, two leather-upholstered chesterfield chairs and an ornate, flamboyantly curved settee. Settee is pure Victorian at its worst, and plainly, was King's favorite roosting spot. Artificial electric-fire grate. Windows looking across the canal towards the Chateau and the Laurentians. Glass partly frosted. Noticed, for the first time, a wee bedroom leading off the office-decorated in chastest white, with palish yellow tasselled bedspread over the bed.

Brucie talked about the need for publicity in the U.S. King listened, perched in a corner of the settee, and looking with desire in his eyes at the fat, stuffy little footrest which lay under his desk. His spectacles were thrust well on to the bridge of his nose and the lens were very smudged. He listened to Brucie, murmuring encouraging words, and I thought getting a bit of amusement out of the way Brucie waved his arms. He replied that there had been great difficulties, as Brucie knew, great difficulties-Roosevelt and so on. But he thought the situation had been improved of late. He thought Joe (Thorson) had solved the problem, through Lash-an office in New York-and to tell the truth he had completely lost touch with the thing. He would look into it and see if he could not push things along. Very important and who would Brucie suggest. Bruce put in a gigantic plug for Charlie Vining and, not without malice, I suggested Brucie himself might do rather well. King rose to this magnificently. He looked rather intently at Brucie - his glasses being badly smudged-and asked him if he would tackle the job. Brucie swallowed vigorously and disclaimed any talent for it, but added that, if the gov't of Canada asked him to do anything for the war, he would do his simple best. Don't know what King understood this to mean.

Then talked about B.C. defence and the war in general. King said that the war was going very badly. The truth is that plucky and all as the British have been, miraculous though the Russian resistance is, the

enemy is still stronger than we are at every point. If Stalin was right and the Russians could hold the Germans this spring and summer, he felt sure that the war would be greatly shortened. But he had nothing reliable to go on in this regard and he was not optimistic. He had felt right along that Japan will attack Russia in the east, Dutch Harbor [in the Aleutians] and Alaska and British Columbia just as soon as the Japs could muster the men and materials. Nothing could be more certain and in his judgment the shelling of the Californian coast was merely a ruse to attract our attention away from the northern coast line. He had been acutely aware of the peril on the coast ever since Japan declared war and he was discouraged to find out that, although the U.S. had been preparing for war with Japan for 20 years, they had been substantially unready to repel such an attack last December. Today, the United States was incomparably stronger on the west coast, particularly in Alaska. He knew something of the reinforcements which the U.S. had sent to Alaska and consequently was somewhat easier in his mind. Our own danger, however, was still very great.

The trouble, and Mr. King repeatedly caught himself up in refer-ring critically to Ralston, was that the cabinet was unable easily to modify existing war plans. The trouble was with Ralston and the general staff. Ralston stood up for the generals, fought the cabinet in their behalf. A most difficult situation. The true ambition of our general staff was to build up an army in Britain not particularly for the defence of Britain but to be the spearhead of the attack on Germany. In the secret session [*of parliament*] (he caught himself up here and apologized for discussing what had been said at the secret session)-anyway on a certain occasion, Ralston had said that our army plan was to build up a strong striking force in Britain because we would ultimately use Britain as the springboard for our thrust on the continent. When Ralston had sat down after saying this (at the secret session) King had told him that he had let the cat out of the bag. His words had revealed that all our generals were concerned about was to be in at the kill. King said that he had told Ralston, after the speech at the secret session: “Well, Ralston, you have made the mis-take of your life by saying that we are sending an army over there to attack Germany. You know that our force is over there to defend the heart of the Empire.”

He thought, however, that Ralston had been shaken down in the last few weeks and was beginning to be doubtful about the wisdom of the advice he had been getting. “I have talked to him again and again. I have

asked him not once but many times why he does not tell the generals what we, the cabinet, think instead of continually telling us what the generals think. Generals are almost invariably wrong."

King egged Brucie and me on to keep banging away at the generals. He had done nothing to quiet the row on the Pacific Coast for more defence. He hoped it would continue. He had just appointed a Pacific Coast Japanese Evacuation Council of civilians, which would give these demands more direction and cohesion and thus might help overbalance the generals.

The expansion of our war industry would continue, regardless of what anyone said. The shortages, he thought, were in materials and management but he could see no possibility of a halt. He knew that the country had never been so prosperous and, when Brucie said something about the mass of the workers, he at once replied that the mass of the people had never been as well off as they are now. They hadn't begun to feel the pinch of war. He agreed that there was room for great expansion but said that there could be no purpose in shut-ting off civilian production until we could use it in war. This would come and having regard for the length of the war perhaps it was as well not to increase the strain of war beyond the actual needs of our war effort. He seemed quite pleased with the prospect of being criticized on this score. He didn't try to defend himself from charges of going too slowly. I gathered that the more he was pushed the better he would like it; that he rather wanted to be pushed and not to lead.

He had had a run-in with Hanson the preceding night and he got a bit unctuous in discussing it. Hanson - of all people - had made a crack at the Beauharnois campaign fund [contributions of the Beauharnois corporation to the Liberal party in 1930], as if King's personal honor had been involved. He had put a stop to that pretty fast. ...

The night of the by-elections had been the happiest night of all his life. He had been much happier than on any general election night. Meighen was an unbearable type of man. Had he got into the House, he would have lowered the whole tone of the debate. Mr. King indicated this by removing his spectacles and holding out his right hand (palm down) first at the crest of his reach and then down well below his knees. Of Meighen: "I hate him. I hate him so much." But Meighen had been beaten and both cabinet ministers had been returned. The Meighen drive had had nothing to do with war policy or any public policy. It had been a conspiracy on the part of a few evil men to force their representatives into the government. Why, Hanson had come to him, privately, before

Meighen's first attack on the government. Hanson had proposed that King take Meighen and Hanson into the government. They just wanted to be in the government and, Hanson had promised, they wouldn't make any trouble. Only after he had refused, did Meighen attack.

He was absolutely sure that the plebiscite would carry. He had taken a hurdle on the preceding night when he had said that he was prepared under the War Measures Act to send trainees, conscripts, to any point on this continent. As a matter of fact, in anticipation of a crisis, he had an opinion from the Law Officers of the Crown which was, unanimously, that under the War Measures Act the government could conscript men for overseas at any time it wanted to do so. The pledge was not legal or statutory, it was moral.

The people who had opposed the plebiscite so bitterly were now, he was pleased to notice (seraphic smile), supporting it and urging an affirmative vote. In fact nobody had noticed that the second reading of the plebiscite bill had carried unanimously-think of it, unanimously. And after all that Hanson and Bruce and the rest, including Pouliot, had said. He was going to campaign for the plebiscite and meantime the educational process was going on. Getting conscription with an united country would be the biggest triumph of the war.

In point of fact, there had been three great achievements (all of them his own, but this not mentioned). We had got into the war without a split; we would get conscription without a split; and it would be demonstrated that the much maligned party system of government was quite equal to the-he suddenly stopped here. He had become really expansive on the party government line, was grinning from ear to ear, and slapping his leg above the knee with a kind of joyful and boyish exuberance. He sobered up, scowled at Brucie, and said that when he had been at Harvard he had made a deep study of responsible government. He thought Sir Henry Maine's Popular Government the best work on the subject. (He quotes him extensively in Industry and Humanity). However, he didn't finish this little lecture on the party system except that he made it clear that opposi-tion parties should stay put.

There was no future for the Tory party. It would become clearer as time passed that the opposition to the government would come from radical parties. He spoke without a trace of grief, rather as St. George might have commented after his encounter with the dragon.

At this point, the secretary came in with a copy of The Unknown Country, garish and blatant in this subdued atmosphere. Ah yes. An excellent book. Everyone was speaking to him about it. Would Brucie

mind autographing the copy. Books were precious things. Had Brucie ever read his own little volume, The Secret of Heroism. Brucie apologized profusely. Well, he had just gone through it again after 40 years-or was it forty-one years. He reflected a moment and one could imagine volumes of the diary being whisked over, mil-lions of pages fanning back into the remote past. Yes, it was 41 years ago and he would not change a word of it, not one. I asked about Harper. He must have been a very fine chap etc. etc. Indeed, he was. Harper had had a dash of Irish in him. Mr. King spoke very happily of Harper, very happily. Perhaps he felt as if Harper would not have regretted being drowned, knowing that in drowning he would give his country The Secret of Heroism. The odd thing is that there is very little in the book about Harper, except that he died.

He fussed us out of the office, pulled his spectacles down on his nose, and turned to meet the next customer.

16. 4 March 1942 [DP, QUA].

[Information in the following memorandum came from Kenneth Wilson, parliamentary correspondent of the Financial Post, and T.A. Crerar. Horace Hunter was the president of the Maclean-Hunter Publishing Company, publishers of Maclean's Magazine and The Financial Post. Moore, Irwin, Chalmers and Wilson were his associates. General A.G.L. McNaughton was home on leave from his post as General Officer Commanding of the First Canadian Corps in Britain; when he returned late in March it was as General Officer Commanding-in-Chief of the First Canadian Army. Lord Beaverbrook, the subject of McNaughton's extravagant criti-cisms, resigned from the British government on 19 February 1942 after Churchill rejected his demand for the immediate opening of a Second Front. Before that he had been in succession: minister of aircraft production, minister of state, minister of supply, and minister of war production.]

Last Saturday night, Feb. 23, Horace Hunter entertained General McNaughton for dinner and the evening. Those present included Napier Moore, Art Irwin, Floyd Chalmers, Ken Wilson and one or two others in the organization. The discussion went on until mid-night. My report comes from Ken Wilson who took voluminous notes.

McNaughton's chief point was that Ralston was proving himself to be completely unfitted for his job and that unless he (McN) could obtain satisfactory action on a number of points, he would resign or ask to be relieved of his command and not return to England. Ralston, he said, was unable to distinguish between policy and detail. With respect to policy, McNaughton conceded the right of the minister and the government to

make decisions. The detail, however,should be worked out below this level. Ralston could not make the distinction with the result that many vitally important changes were being held up week after week until the morale of the officers of the overseas army was suffering, and the efficiency of our army was definitely being hurt. He gave many examples but the one he regard-ed as of most importance concerned the big ordnance workshops. This had been decided in principle long ago but the detail had never been got past Ralston. He and his men had made report after report until these reports were regarded as just so much waste-paper. The whole system of army organization was breaking down because of Ralston's incompetence and McNaughton urged them, as the best contribution that could be made to the winning of the war, to get him out of that portfolio.

He had no complaints to make about King, who was always encouraging and very quick to see the point. King, he thought, was favorable to action.

He had high praise for Victor who he said got things done in spite of Ralston and had always been very co-operative. Napier suggested that the thing to do was to hoist Ralston and put in Victor. McNaughton said he could not be sure. His experience was that men changed their personalities when they became cabinet ministers. Anyhow, he was death on Ralston and as he must have told his story over and over again to influential people in Montreal and Toronto and Ottawa, I imagine we will see an anti-Ralston campaign break out very soon. Victor tells me that he is sure that Ralston is unaware of McNaughton's attitude toward him. Ralston thinks he gets along fine with McNaughton.

McNaughton expressed great disappointment with the way British industry has responded to the war need and he felt that so far as vision and imagination are concerned, the British were completely bankrupt. He said that Gen. Brooke agreed with him 100 per cent but they had been unable to shake down the British authorities. Strategically, the war was also being entirely misconceived. McNaughton had a rather low opinion of Churchill as a strategist: thought him pretty much of the civil service type.

With respect to British industry, he said that we must base our plans upon the prospect that British output would steadily decline both in quantity and quality. The shipping shortage would cut down the raw materials and the quality of the work being done was execrable. Beaverbrook, whom he regarded as public enemy number one, had shaken the gizzard out of industry and had set up entirely false

standards of work. The emphasis was now completely on the number of completed units. Nobody gave a damn about the quality of the work or the production of spare parts to keep the completed units in operation. The armoured division, for example, had received Churchill tanks but within two weeks half of them were broken down and there were no spare parts to repair them. British production was on the basis of "record weeks" and "record months" with only the completed units counting. This, he said, was an impossible situation. The wastage and loss of efficiency would be terrific.

Canada should forget about British production, tie in completely with the U.S. and go its own way. The British would fall over themselves to get what we made. Never mind standardization with Britain. Standardize with the U.S.

The vital thing in this war, he said, was velocity, particularly the velocity of shells. Yet the British had stubbornly refused to do any research or to even consider the desirability of making improvements in their equipment. There were, he said, only three guns in the British army which were not obsolete-the 25 pounder, the Bren and some other (Ken did not catch the name). At the outset of the war, Britain and Germany were about on a par. The gun velocities were around 2,500 feet per second. The British have done practically nothing to improve their weapons. But the latest German gun captured in Libya has a velocity of 4,700. McNaughton has been so obsessed by the failure to improve weapons that he set up a little experimental station of his own. Under great difficulties, because the British have been most reluctant even to let him have the little bit of material necessary for the work, he has produced a gun-by no means perfect-with a velocity of 4,200.

He thinks we should set up a War Development Board in Canada, tied into a similar body in the U.S. if possible, and proceed to improve all our weapons. He would turn over the work he has done and would undertake to feed such a body more ideas than it could handle. All our work, from now on, should be on North American lines.

He agreed completely with King on the plebiscite and said that conscription could be of no possible use to the army at this time and, perhaps, not for a year to come. It was a misreading of the war to think that military manpower was of great importance. The real and the only need was for war production. A man in the factory was worth more than a man in the army. We must strive by every possible means to increase our production and to improve the quality.

Don't worry about the army. He thought national selective service the right approach to the manpower problem, but the emphasis must be placed on industrial production. He is an invasion-of-the-continent man. He thinks the British conception of the war is wrong and, in consequence, our air training plan is failing to achieve the desired result. The British think that Germany can be licked by bombing. This is untrue. But the British are concentrating on the production of bombers and straight fighters, instead of upon army co-operation types of aircraft. The Canadian army now has two army co-operation squadrons which he will insist be increased now to six and as rapidly as possible to 18. The Air Training Plan is wrong because it is training men for bomber and fighter work instead of for army work.

P.S. The attacks on Ralston are getting around very fast which, I think, is an indication of the number of people with whom McNaughton has been talking. Norman Lambert has heard pretty much the same line of talk as is reported here but from quite different sources. Young Norman Smith [*of the Ottawa Journal*] had heard similar reports and I fancy from still other sources.

T.A. is deeply disturbed. He agrees with all of McNaughton's criticisms of Ralston but thinks he should not have talked in this way. He says that again this morning at cabinet Ralston insisted that the most important task facing the government was to get men for the army.

17. 6 March 1942 [DP, QUA].
[Information in the following memorandum came from General A.G.L. McNaughton, T.A. Crerar, and Graham Towers.]

Brucie and I and Ken Wilson had a talk with McNaughton in the Woods building yesterday afternoon. McNaughton talked much as reported in the memo of his dinner at Horace Hunter's house, except that he was not as frank and forthright respecting Ralston.

He emphasized the folly of the conscription issue at this time and said that he had made his position as plain as he dared make it in his Christmas broadcast and in his speeches and interviews since arriving back in Canada. It was tragic that the country should be thinking about conscription or military manpower when we should be thinking only of expanding war industry. Conscription would not be needed for at least a year and war industry must always have priority over military manpower. He was actually sending men back from Britain to work in war industry - notably the instrument glass plant at Toronto. He thinks

in terms of doubling or trebling our pre-sent industrial war output.

This is essential because there is no hope of British industry becoming able to arm its own troops efficiently, not to mention other troops. British industry is hopeless. Not only will it not address itself to the job of improving existing weapons, but the invention of new weapons is not even being thought of. It is murder to send our men against the enemy with obsolete equipment. He said that he had trained the armoured troops now in Libya and had a file of correspondence as long as your arm from senior officers there. They were trying to fight Rommel with inferior 2-pounders while he had superior six-pounders. We were shooting guns with velocities of around 2,500 feet per second against Germans armed with larger calibre guns shooting around 4,500 feet per second.

British industry, operating along traditional custom-built lines, was good only as the maintenance base for our attack on the continent. They could repair the mass production output of this continent-that, and no more. He gave labor hour figures on production of 25-pounders in Britain and in Canada. Ours was just 40 per cent of the British and would soon be down to 15 per cent. On the Bofors gun it was now 50 per cent and would soon be down to around 20.

He intended to have a show down with Ralston and thought that his meeting with the war cabinet today would be one of the decisive days of his life.

T.A. tells me that the war committee meeting was not exciting. McNaughton and Ralston seemed to have had it out earlier. Ralston was very quiet. Never said a word. Stuart, the chief of staff, was along, looking rather grim. McNaughton had laid down the law as to policy and detail and had insisted that the overseas army must be free to decide all matters of detail on the spot, without reference to the minister. He wound up by saying that he thought that Ralston and himself thoroughly understood each other now.

He got off his line about British industry, but did not emphasise, unduly, the need for greatly increased war production. He did by inference, but not by direct statement.

Had lunch with Graham Towers who discussed the war effort in broad terms. McNaughton had fiercely attacked the Economic Advisory Committee (of which Towers is a member) and Treasury control of expenditures. Towers said that the economic committee had had nothing to do with the matters of which McNaughton complained. The chief of these was the decision not to expand steel production in 1940 and early

1941. The order for expansion had been given after the shortage of steel developed in the U.S. and the Dominion Coal and Steel (the company which was expanding) was then unable to obtain the equipment from the U.S. which was on tap six months earlier. There had been a long delay in completing the expansion.

Towers said he had heard of this case and that it was all true. There had, undoubtedly, been a tendency all along the line to under-rate the demands of war and to keep an eye on post-war conditions with the idea of avoiding undue surplus. He thought this inevitable. Judged by hindsight, it was pretty bad.

He did not think that Treasury control had restricted or reduced the war effort. The cash had been found for every pound of production physically possible. The chiefs of the fighting services had put in demands which, had they been passed by Treasury, would have run the dollar estimate of 1941-42 war costs up from $1450 millions to over $2,000 millions. This, however, was an illusory figure. The Treasury people knew that the physical production was not possible, and they had only tried to cut down the figures to the productive capacity. Otherwise, there would be no realism at all in our war estimates and public confidence would be severely shaken. He did not believe there were legitimate grounds of complaint against the financial controls.

He thought the chief weakness in the war effort was the lack of any planning authority. It was nobody's business in Canada to get full-out war production. Howe was a purchasing agent for the ser vices and the British and other gov'ts. He only bought what he was told to buy. The prime minister could not possibly do this kind of work in addition to his other duties. He doubted if any single minister could succeed, particularly at this late date. He would have to overcome the jealousies and rivalries of other departments. He would have to declare and enforce priorities and decide what needed doing first. As the ground lay, he believed the best solution would be to place this responsibility on the war committee of the cabinet. But he had no hopes of this being done. Discussed this with T.A. who took the view the war committee of the cabinet was incompetent to discharge such duties. The members were not experts on war. They had no special knowledge of the needs of war. This, he thought, was plainly the function of the service chiefs who should recommend the kinds of war equipment and weapons that were needed. These recommendations would come to the war committee

through the service ministers and he could not recall that any such recommendations had ever been discouraged or turned down. Our lack of adequate planning was due to incompetent chiefs of staff.

Towers said that without knowing the facts in a detailed way he was sure that we would have the greatest difficulty obtaining additional steel in the U.S. wherewith to expand production. Still more serious would be the lack of machinery to equip new steel plants. This machinery could only be obtained in the U.S. and he saw small prospect of getting any of it. We could expand all other materials-copper, brass, and so forth-but when you got down to it, steel was the chief material used in all war equipment. It was true that we could have expanded hugely last year. But our chaps did not foresee the entry of Japan and the U.S. into the war and felt safe in relying on imports from the U.S. To this extent, they had made a serious mistake, but he would be slow to blame them. I suggested that if we could not expand industrial war output, the only recourse would be a big army. He did not think this followed logically. There was no need for more military manpower. Why put men into uniform when you could not arm or equip them? They would be doing better work at their civilian jobs. ...

He thought McNaughton's criticisms of British industrial inefficiency were exaggerated. But he did think we had been far too colonial-minded in our war effort and should have done a great deal more on our own.

18. 9 March 1942 [DP, QUA].

[Information in the following memorandum came from Angus Macdonald and Alex. Johnston.]

... The Ralston problem, as you know, is becoming more difficult. I was visiting old Alex Johnston on Sunday morning when Angus came in. Angus had been called down town by Ralston who had heard of what McNaughton is saying about him. I wasn't able to let Angus know that I knew about this gossip and Angus did not make it clear how much Ralston had heard. He said that Ralston had gone to King to resign on Saturday. King had comforted him, told him how appreciative he was of his work etc. and sent him on his way. But Ralston was heart-sick. Angus said he put him through the third degree. Had he ever had trouble with McNaughton? "Search your heart, Ralston, and see if you cannot find cause for this" etc. Ralston said he had gone back over the past and had

no recollection of any disagreement with McNaughton. There had been a few hours delay on a matter last fall, owing to [General] Crerar being ill, but nothing more. And McNaughton had never indicated by a syllable that he was dissatisfied with his minister. Angus advised him to have McNaughton in and make a clean sweep of it, all cards face upwards. But he wasn't sure that Ralston would follow his advice.

Old Alex said that he knew exactly what was the matter with Ralston. He was a slave to petty detail, always had been, always would be. He suggested that Victor and Angus go to him and tell him frankly of his weakness and see if some way out could not be found. Angus was agreeable and I was to ask Victor. Victor after a little thought declined. Victor is the most loyal man I have ever known. Last December and January when T.A. and Ralston were fighting so bitterly, T.A. went out on two occasions to V's house to talk things over with him. Victor, however, would not discuss Ralston with T.A. And I don't think that he has discussed him with anybody apart from the immediate circle. He was keenly interested in your suggestion re [*appointing Ralston to the*] Supreme Court but sees no way of bringing it to King's attention. George Currie is trying something along this line but I doubt if King would do anything at this time. I think King will be completely selfish. He will not move Ralston until he has lost public support. If he were to move him now, some people might think he was getting rid of a rival. King will certainly never risk anything in solving the problem. ...

19. 10 March 1942 [DP, QUA].

[Information in the following memorandum came from Hume Wrong and L.B. Pearson. On 19 February 1942 Beaverbrook resigned as minister of war production and accepted a mission to Washington as Churchill's personal representative.]

War Organization.

I sent an earlier memo [9 February 1942] on the combined committees created by Roosevelt and Churchill. Canada was lumped in with British. We were not regarded as principals and had no direct representation on any of the combined committees. All our war production etc. was to be regarded as part of the British production and our approach to Washington was to be via London and through British members of these committees.

The government turned down this proposition. If we could not be a principal, a member in our own right, we would take no part. We would maintain our independence of action and deal with Britain or the U.S. as

they came to us for material, military units etc.

There are a number of these combined committees: allocation of equipment, military manpower, munitions, raw materials, shipping etc.

The following memo applies only to the [*munitions*] allocation committee which is composed of military experts and outstanding civilians.

When the government turned down the proposed set up, the boys in External Affairs, Hume Wrong at Washington, and to a lesser degree the general staff were not satisfied to leave it this way. You will recall Mike Pearson's plan for appointing a junior officer to the staff of the British members of the committee (which would mean accepting the original proposal) but making him responsible to a high-ranking officer who would be a military attache in the Legation at Washington or in Massey's office at London, depending on whether we desired to work through the London or the Washington branch of the committee. This high officer, of course, would not be connected in any way with the committee. All except one of these committees are combined committees-one part in Washington and the other in London.

Mike's formula was turned down because the government thought it more clever than sound. We would be accepting the authority of the committee, in fact, and would be surrendering the right to be a partner.

Hume Wrong has kept pegging away at the problem and within the past week has made a suggestion which is intensely interesting and may be acted upon. He takes this line. We must first decide whether we want to be a part of the London committee and to pool our resources with the Empire, or to be a part of the Washington committee and pool with the U.S. His view is that the natural and inevitable decision must be for a North American pool. If not, he has nothing more to say. If yes, then he has a plan.

If we go for the North American pool then we will want to be a full-fledged partner in the combined committee at Washington. We will have nothing to do with the London committee. He is sure we can make the grade at Washington if we will do certain things.

The Canadian government must take over all war contracts in Canada. All our production must become the property of Canada-not of Britain, Australia, New Zealand, South Africa, the U.S. and others who have placed orders here. By this act we will reduce the importance of Britain as the partner of the U.S. and correspondingly increase our own importance. We are, of course, the third largest surplus producer [*of munitions*] in the United Nations. Our production,

being entirely our own and greatly exceeding our own needs, will then become our chips in the game. We will have much to place on the committee table. At the present time our production is classed as belonging to the British.

This act will also profoundly affect our war effort, our relationship to Britain, and will enable us for the first time to plan and carry out a total war effort. I'll develop this point later on.

At the conferences here, Norman Robertson, the general staff etc., have concluded that Wrong is correct, that we belong in the North American pool and should take over directly all our war production. Indeed, we cannot function properly going via London and through the British to Washington. Our industries are so closely inter-locked that uninterrupted discussion is imperative. Many examples could be given but this is pretty obvious.

The general staff while agreeing to this in conference tends to weaken after the discussions are over. But it seems evident that the general staff will support the Wrong plan.

There is only one difficulty about it and that is a great one. The difficulty arises because of our Canadian army in Britain. The combined committees function in this way. The London committee controls and allocates all the war material produced within its jurisdiction, which includes the British Empire, Norway, Holland, Free France etc. The Washington committee does likewise with all war production in its jurisdiction-the U.S., South America etc. Each committee keeps continuously assessing its own needs for equipment and munitions and discovering its surpluses and shortages. The material is allocated in minute detail. Guns, for example, are allocated to Singapore, Australia etc. by serial numbers and no two guns in the whole range of allied production are numbered alike.

Each committee then goes to the other with its findings - its surpluses and deficiencies. London has a surplus of so many guns and shortages of so many tanks. The committees then strive to match up so as to achieve an even flow of material, based upon urgency of need, to every front.

If we join at Washington we will either have to turn our overseas corps over to the British pool, to be equipped with British production, or continue to equip it as a North American force serving over seas. If the former, McNaughton and the corps itself will protest. McNaughton's views you already know and the troops themselves greatly prefer Canadian arms and equipment. The view is that it is not practical to consider turning our corps over to the British pool.

If not, then we will have to ship equipment to our troops regard-less of existing surpluses of equipment in Britain. Our shipments would run the submarine gauntlet and use of shipping, and British surpluses of exactly the same kind of stuff would run the gauntlet and use shipping, outbound for other fronts which might be served much more safely and efficiently direct from Canada. This is the line of thought that makes the general staff weaken. The U.S., of course, equips its own force in Ireland [*Iceland*?] but this is inevitable as the U.S. equipment and British equipment doesn't match.

This illogicality, of course, would only continue until there is fighting in western Europe. As soon as fighting starts, there will be no surplus in the British pool but large deficiencies. The traffic across the Atlantic would only be one way.

I think the judgment of the boys is to tough out the immediate embarrassment and try for Washington. The inefficiency caused by two-way shipments would not be nearly as great as the confusion caused by dealing with the U.S. via London.

If Wrong's idea is sold to the government, the first step will be to take over all war contracts in Canada. This will have to be done in the name of the National Defence department. Thereafter we would produce not for other governments and our own fighting services, but for Canada as a member of the combined committee at Washington. We would be called on to produce to the limit, because the needs are without limit. The orders would come via our member of the committee to the general staff, to Howe. Howe would become the supply minister for our National Defence department.

At the present time all our war production is by contract placed by Howe on behalf of various purchasers. He buys what is ordered by other governments and by our own service chiefs. Other governments order as they think they need the product. Our service chiefs are absolutely forbidden to order beyond the needs of existing establishment. Our productive capacity is not and never has been the test. I learn that the Bren gun plant ran at greatly reduced output for some weeks, within the past few months, because there were no orders for Bren guns available. Ralston could not over-buy his needs and other governments took time to make up their minds.

Howe is strongly opposed to the Wrong plan, because it will make him subservient to Ralston and the other service ministers. He is dead against disturbing the contracts placed here by other governments. As it is, our service ministers buy only a small part of his total orders and he functions freely as the buying agent of Beaverbrook, South Africa and

so forth. He is also opposed to have to turn over his connections at Washington to a representative on a committee who would almost certain be a soldier, sailor or airman.

Lunch with Mike, Victor, Cliff, Rich[*ardson*] and more talk re allocations committees. Mike says that there has been a change in the topmost committee of all-the chiefs of staff committee. The London branch has been disbanded and there is now only one committee-at Washington. From the outset there has been but one raw materials committee, again at Washington.

Mike said that after much reflection he could not see how we could escape joining the London [munitions] allocations committee. We had to supply the overseas army and could only arrive at our surplus for allocation after our army's needs had been met. The only place we could deal with our own army, which is in Britain, was at London. He thought we must belong at London and throw our surplus into the British pool. He felt sure that because of the size of this surplus, the British would give us representation on their wing of the Washington committee and he would add a proviso that no decision could become binding unless approved by the Canadian government.

Victor also had been doing some thinking. He is solid for the Washington solution and suggested that we could deduct the requirements for our army from our production and then go with the surplus to Washington and become members on the North American side. Mike agreed that this would be a solution but pointed out that it meant two allocations in Canada-first for our army and second at Washington-which was contrary to the purpose in view. Mike said that he felt sure that the London branch of the committee would only continue while Britain had a large surplus to allocate. At the present time the British surplus exceeded that of the U.S. But as British requirements (owing to fighting, for example) increased and U.S. production rose, the great surplus to be allocated would become North American and the London branch of the committee would be washed out. He believes that within a year there will be but one committee and it will be at Washington.

In that event it would not matter which end of the existing committees we got on. We would arrive at Washington in due course.

20. 13 March 1942 [DP, QUA].

[Information in the following memorandum came from Angus L. Macdonald and Victor Sifton. King saw McNaughton at least seven times between 4 February and 18 March. (Pickersgill, King Record, pp. 357-360.)]

... It has been a hard day to get down to work. Angus phoned early and I went to see him. I found him reading your [*Dafoe's*] book on Laurier. He said that he had made careful inquiries and all advices indicate a steady deterioration in Quebec. The story-he indicated the book-is being repeated. He read, beginning at page 166, where Laurier gradually cooled toward the war.

Just what Angus means I didn't ask. In the book, of course, the disruption of the Liberal party is just around the corner. Perhaps Angus thinks that a split in the government is coming.

He had been to see Ralston on Wednesday morning, after his talk with Victor, but had only discussed McNaughton's treachery and urged him to have it out with McNaughton. Ralston saw McNaughton Wednesday afternoon and evening, but he doesn't know what happened.

He is an ardent friend of Ralston's. He thinks he has over-stressed military manpower but says that there are deeper reasons for doing so than are on the surface. He gives T.A. a clean bill for sincerity. But he thinks that King and the Quebec ministers (he mentioned no others) stress the urgency of war production, labor short-age, etc., because of political considerations. They are not thinking of the war but of Quebec and keeping the country united. He deeply distrusts them although he, himself, agrees that Ralston went too far.

He says that King has been making it increasingly plain that he dislikes Ralston and blames him for raising the conscription issue and getting us into the present position. King has been seeing a great deal more of McNaughton than is commonly known. McNaughton's position, re the importance of industry and the relative unimportance of overseas enlistments, completely dovetails into King's political solution. He has made up his mind that King and McNaughton have had discussions re the future and that the plan is to replace Ralston with McNaughton. Victor suggested that King might make McNaughton a war minister over all three service ministers.

Angus said that he could not see his own position clearly. He will bitterly resent the decapitation of Ralston and doubts if the chief jus-ticeship idea could be worked. Ralston will retire, he thinks, and not accept any other post, if King proceeds along the above line. Angus will not agree to serve under McNaughton. He, too, would quit.

He points out that the winning of McNaughton would be, politically, a master-stroke which would far outbalance the loss of Ralston and himself. King could shelve conscription and shut up the Tories. He added that the navy and air force people hate McNaughton who has always lusted for control over them. King, he says, would have six months or more to work the thing out. Conscription will not become a factor until late this year at the earliest.

Victor made no comment. McNaughton has been excessively sweet to him. Victor still clings to the thought that Ralston could still retrieve his position, if he sent McNaughton overseas straight off and then exerted himself. He senses, too, that Ken Stuart and the others dislike McNaughton intensely. He treats them like office boys. ...

21. 13 March 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar. The McNaughton-Ralston incident that disturbed Crerar probably consists of the reports of McNaughton's quasi-private criticisms of Ralston and to their confrontation in the cabinet war committee. Senator Raoul Dandurand, government leader in the Senate, died on 11 March at the age of 80. W.D. Euler, A.B. Copp, and George Graham had all served in earlier Mackenzie King cabinets before being appointed to the Senate. J.W. deB. Farris, a former attorney-general of British Columbia, had been appointed to the Senate in 1937. In the end Mackenzie King chose J.H. King of British Columbia to succeed Dandurand.]

He was at home in bed laid up with a cold.

Dandurand's death will be a great relief to King and the cabinet as a whole. The immediate cause of death was an internal growth which suddenly interfered with a vital organ. But the real cause is the Quebec situation. Dandurand has been much more difficult to handle than Cardin. He was against overseas conscription and only bowed, in cabinet, to the majority. Behind the scenes he was encouraging revolt in Quebec, egging the boys on. In cabinet he was infinitely controversial, disputing every step, talking endlessly.

T.A. is disturbed by the McNaughton-Ralston incident. He remains of the view that Ralston is a "national disaster" as minister of national defence, and should be moved. But while Ralston's incapacity as an executive makes him impossible in that portfolio, T.A. is very just. He appreciates Ralston's integrity and patriotism. There is, he conceded, nothing finer in the way of character than Ralston. For these reasons, he felt sad and anxious about the backhand attacks. He has a high opinion of McNaughton's ability but he puts down a heavy black mark against

him on this score. And he thinks it would be a *serious* mistake to bring him into the cabinet in Ralston's place.

He neither agrees or disagrees with Angus's ideas. He agrees that King blames Ralston for all this conscription trouble-and rightly. He speaks, here, at first hand. He has often discussed Ralston with King since the row began last December.

T.A. gave me an interesting sidelight on King. As the presiding minister, in King's absence, at cabinet and war cabinet, he said that King always phoned him privately during cabinet and war commit tee sessions, during the days of crisis [*over the 1942 army programme*] last January when King retired to Laurier House. He would get one, and sometimes two calls from King, usually while meetings were in progress. King would want to know how the battle was going, and T.A., being usually incensed by Ralston, would speak angrily of him. King would agree, wholeheartedly, and encourage T.A. to keep up the fight. Several times since then, King has spoken critically of Ralston.

T.A. does not doubt that King would gladly remove Ralston if he could. He doubts if he would take a chance on McNaughton and would suspect King of playing up McNaughton as a kind of threat to Ralston-a trump which Ralston would know King held and which would take the trick. It seemed like blackmail to me, but I didn't say so.

T.A., who is King's desk-mate in the House, says he is certain that King wants the plebiscite carried. He doubts, however, if King has decided on the course he will follow if it carries. And he suspects King is intent upon getting conscription not as much for the war as for his biography. He wavers, he says, between trying to wangle Quebec and holding along the middle of the road-no overseas conscription. T.A. thinks King's mind is open as to the post-plebiscite course. King thinks that events will give a lead on policy and he isn't trying to see far ahead.

Discussion of Dandurand's successor. King asked T.A. for advice. Euler, said King, was not suitable. "Much too selfish." Copp - "too muddy-minded". He was attracted by Farris but wondered if his corporation law work might not be a bar. The old guard-George P Graham, etc., too old. T.A. is impressed with St. Laurent who is not anti-conscription.

22.16 March 1942 [DP, QUA].
[Information in the following memorandum came from J.L. Ralston.
Alan Morley, a columnist on the Vancouver Sun, wrote several articles saying that Canada had no defence on the west coast and that the government was doing nothing to improve the situation. Major General the Honourable Senator W.A. Griesbach was inspector general of the Canadian forces in the four western provinces. Colonel Mess was deputy adjutant general, Department of National Defence. Howard Green was Conservative MP for Vancouver South.]

Yesterday (Sunday) Ralston phoned re the articles in the Sun attacking Dominion government because of lack of action to defend British Columbia. Wilf Eggleston, the censor, present, also Ian Mackenzie and later, Ken Stuart. Wilf was mollifying in all directions - quite splendid. Ralston had already stirred up the Justice Department and the Secretary of State (censor's chief) and seemed intent upon launching prosecution under Defence of Canada Regulations. Articles are by a man called Moley or Morley. Ian declared he had known the chap all his life and said he was an exemplary character. ...

My presence was to elucidate Hutchison. Ralston said, "You be the devil's advocate," and I was, with a vengeance. Said that all B.C. wanted was a minimum of security against invasion. He said there were already two brigades in B.C. and a third brigade was entraining today and tomorrow. There are now 10 Bofors guns on the coast and another 10 are being sent out within a matter of days. More aircraft are going as rapidly as they can be obtained. The coast defences at Prince Rupert have just been completed. What with the demands from Nova Scotia, Arvida and the St. Lawrence area we were in danger of falling down on our overseas commitments. I then suggested that he tell B.C. what he is doing, as I had never heard any demand for a division. He said he would not do this for two reasons: the Japs mustn't be given these facts and whatever was sent to B.C. would be regarded by British Columbians as most inadequate. Send them one division and they will ask for two; send them two and they will demand four, etc. I pointed out that he was going to make the worst of both worlds. He would substantially meet B.C.'s demands but be blamed for not doing so. He said he didn't care on that score. He could take it.

Ian's solution was for Ralston to go to Vancouver and hold a mass meeting, swear the several thousands of listeners to secrecy and then tell them all. Perhaps the air strength now being shown in the umbrella maintained day and night over the Queen Mary and the Queen Elizabeth now in Vancouver would reassure Vancouverites.

I said that folk in B.C. felt that we were proceeding along the original plan of war in Europe, that Japan's entry had changed the war for all except the General Staff. Ralston said that on the point of strategy the decision had been taken to build up the army in Britain and there would be no change.

Why not tell B.C. that? Because it would be a tip-off to Japan.

I said that much of the B.C. unrest stemmed from Gen. Stuart's interview. He was embarrassed and said he did not clearly remember what he had said. Had chatted with a newspaperman while shaving on the boat crossing from or to Vancouver. I threw up his statement that he had said that the Japs could take Alaska with two divisions. He put up an impenetrable smoke-screen on this one and Ralston seemed only grieved that this information should have "got out".

I then suggested that there could be nothing unreasonable in B.C. asking for a division or two to train in B.C. when we had the 4th and 6th divisions plus more than 90,000 overseas service men in Canada. Ralston said this did not mean there were 90,000 men avail-able for fighting. He got the figures and proved. that we have 120,000 odd active service men in Canada. Of these 65,000 are on staff or internment camps or are on training establishments. This means that 65,000, or more than half of the total, are not fighting men at all but exist chiefly to train 55,000. Suggested he make these figures public to show B.C. there was no salvation from this quarter but he ignored the suggestion.

He argued that the Maritimes and the St. Lawrence were as much in peril as B.C. I disputed this. I asked him what was the naval strength on the two coasts, air strength and army strength. He said that apart from navy, air and army in convoy, convoy patrol, or ear-marked for Britain, the east was as badly off as west. Suggested this unfair comparison. Navy would not decline to fight because it was on convoy assignment; nor air force. Troops also would fight, regardless of ultimate destination. He agreed but thought this unavoidable.

He read a report from Griesbach who advised him not to yield to B.C. clamor but to cash in on it by telling B.C. people to whack up more on Victory Loan and get busy to defend themselves. Griesbach said that Ralston had made a serious error in sending militia battalion from Edmonton to B.C. The Edmonton battalion was composed of businessmen and chaps in good jobs. They would arrive at coast and discover that the chaps there in jobs similar to those they had left, were still carrying on as civilians and yelling to Ottawa for protection. There would be much criticism.

If these B.C. people would turn out in their own defence, said Griesbach, in two months they could muster two good divisions of rifle men. Would they have rifles? The Col. said our production was just starting, would be 9,000 this month (or next). He also said that if anybody thought there was more tail than head in the army they should look at the air force.

I stayed on after the others had gone, at his [Ralston's] request, and he began to talk of himself. He felt lonely. He was surrounded by disloyalty and intrigue. A chap in his place found out-it takes a little time-who were his friends. He then asked me if I thought the B.C. outcry was entirely due to anxiety about security. I did not at first see what he was driving at. I had said something about Mr. King having always put home defence first and that B.C. was entitled to rely on King's many pledges in this regard. He asked me if I did not think that King approved of the B.C. campaign and might be encouraging it; encouraging Ian [Mackenzie] and Howard Green etc. With vivid recollection of our interview with King, I said that might be true, but there was certainly room for a sincere difference of opinion without either side being unpatriotic.

He then got around to McNaughton. He had heard that McN. had said things about him. The moment he was satisfied that these reports were true he had phoned King, told him about it and offered his resignation. He couldn't remember what King had said, except that he (Ralston) should pay no attention to it: "It is just the Toronto crowd trying to get into the cabinet." But Ralston knew that King did not like him and knew that King was not frank or open with him. He did not think King was consciously disloyal, but was aware that he could not expect any loyalty or consideration from the P.M. The "little man" would do whatever best served his purpose: he would be completely selfish not consciously for himself but because he would think this course best for the country. Ralston quite evidently despises King.

He had put all his cards face up on the table with McNaughton. And McN. had replied that the report was quite true. McN. said that at a private dinner among friends he had criticized Ralston quite frankly. He was entitled to speak freely among his friends and he had said nothing that he was not prepared to repeat, then and there, to Ralston.

Ralston did not volunteer details of what followed except that he had had it out with McNaughton. He spoke in depreciation of him-self. He was a lawyer, accustomed to work as counsel. He couldn't make himself over now. But he indicated very plainly that he had no use for

McNaughton and did not have a high opinion of his character. McNaughton's record in Britain was far from perfect and he just did not believe his stories re British industry. He hadn't thought about McNaughton wanting his job but knew that Angus held by this theory.

He felt lonely and let down. McNaughton had betrayed him. Crerar had let him down. Most of the other generals had done like-wise. He was being knifed by his colleagues in the cabinet. How about Stuart? He liked him better than Crerar or McNaughton.

He would beat King to it. He would resign and not accept any of the jobs some people were talking about. He would not take the chief justiceship or any other portfolio. He would not return to private practice. What would he do? He was going to do war work until the war was over. He had decided that when he locked his office door in Sept. 1939 and came to Ottawa, never dreaming of entering the cabinet. Then he had wanted an active command but perhaps that was out of the question now. He might help Col. Mess and go out as a recruiting campaigner. Or he might ask Clarence Howe to give him a job in munitions and supply. Surely there was something he could do.

I drove him home at 6:30. He had a brief case so stuffed with work that he dared not carry it by the handle.

23.19 March 1942 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar.]

The negotiations with respect to the Munitions Assignment boards have been proceeding for some time. Under the original plan we were not to be a principal but were bulked in with the Commonwealth under the London board. Our production went into the London pool. This was completely unsatisfactory because our industrial organization is interlocked with that of the U.S. and we would have had to proceed via London to deal with a firm in Detroit over engines for our tanks, or engines for our airplanes etc. The first decision was to stay out of both committees, maintain our sovereignty and deal with Washington and London as need arose.

This, however, was not satisfactory because there is an urgent need, industrially, to tie in with the U.S. as closely as possible. The opposition came chiefly from Howe who has been running our war production as a sort of separate government, acting more for the British, the U.S. and other buyers here than for our defence departments. He realized that the

moment we tied in at either end the existing contracts in Canada would have to be taken over by the Canadian government and orders would be placed ... by Col. Ralston. Howe would become Ralston's buyer.

The hard facts of the case, however, compelled him to yield and the decision was made yesterday to go in for pooling with the preference strongly for Washington where we have been advised a seat as a member of the committee is waiting for us.

Just how we will deal with the equipment etc. for the Canadian overseas army is not clear. Presumably we will deduct our army's needs from our output and take the balance to the pool at Washington. This may be wasteful of shipping for a little while, as Britain may have surpluses of exactly the same kind of equipment and be shipping them, say, to Australia. We could ship to Australia and they could supply our army and save a good bit of the sea-haul. But, if our army was to be supplied from British factories, I suppose McNaughton would go nuts.
In very short order the great surplus will be at Washington and everybody here agrees that there will be a race to join the Washington committee in order to have needs satisfied out of the Washington pool before the surplus is struck [allocated?]. These committees work in this way. The Washington committee satisfies the needs of its members (today only the U.S. but, if we joined, it would be ours as well) and transfers the surplus to the London committee to be assigned from London. Australia and New Zealand will certainly beat the gun on the sprint for Washington.

T.A. felt a little sadly over this. He recognized that the trend will be irresistibly to Washington and away from London. Right now, Washington is becoming the principal defender of Australia and New Zealand-not Britain-and doubtless the U.S. will play an equally dominant role in India. Britain is sliding down the scale as the immense power of the States begins to be felt. London will probably end up dealing with only the continental field-herself, Belgium, Holland, Norway etc.

A great expansion of our foreign service is now in hand. The recommendations are going to King within a few days. We are going to have an embassy at Washington instead of a legation, an ambassador instead of a minister. McCarthy is going to resign, realizing that the job is beyond him. The recommendation is that, if we decide to join the Washington munitions committee we appoint as ambassador a senior minister and member of the war committee of the cabinet. The nominee

is Ralston. He would continue to be a minister and a member of the war committee and would be in Ottawa perhaps one or two days in every fortnight.

I do not know if King is a party to this nomination or not but it certainly looks like a way out. There would be a minister under the ambassador but it is thought certain that Hume Wrong would not agree to take the minister's job. He will be brought back to the External Affairs dept and Mike will go down as minister. ...

24. 2 April 1942 [DP, QUA].

[Information in the following memorandum came from Norman Robertson and Phileas Cote. Augustin Frigon was head of the French-speaking network of the CBC.]

This will be a long and rambling letter. I have been talking on all sides re Quebec and I cannot get the points clear in my own mind.

Taking your letter point by point:

Norman Robertson has not made any survey or report. He has been making inquiries re broadcasting in Quebec and is very perplexed as to what can usefully be attempted. The whole position in Quebec, because of the Vichy angle, is impossible. He is completely baffled as to the proper policy to pursue. ...

The actual newscasts of the French Canadian stations are word for word translations of the English newscasts. They do not broad-cast news as often, that is all. The news comment is also less fre quent and the commentators are either Vichy men or are under the impression that it is quite impossible to criticize Vichy or to praise the Free French. It is not violently pro-Petain but it is pro-Petain. The private stations, by and large, are more pro-Petain than the C.B.C. stations.

Then there are the shortwave broadcasts from Vichy and Radio Paris, both violently pro-Petain.

Murray, unfortunately, is in the clear. He is fighting for more Free French pro-war broadcasting in Quebec but cannot make head-way against Frigon. He has carried his fight to the point of building up a parallel staff alongside Frigon's, but F won't let Murray's people get hold of the microphones. Murray appeals for support to Norman and doubtless to others but they are afraid to intervene because of the possible effect on Quebec.

The key to the problem, I think, is the Vichy broadcasting.

The chief broadcaster is the chap who was head of the college in Paris to which most Quebec boys went. The man, therefore, is very well known to some hundreds of key people in Quebec. He is a per fectly sincere man and believes everything he says. The line is that France lost God during the revolution and has been in a state of sin ever since. The church was de- throned and Mammon put aloft. The sanctity of the family was forgotten. The French people became materialistic, Godless, lost.

Now, God has punished them for their sins. They have no cause for complaint. It was coming to them and they have got it. They must repent and turn back towards the light.

In so turning back, Quebec is a shining light to them. Quebec never turned away from God, never forsook the church, never lusted for Babylonian gals. Quebec stayed good and Quebec is reaping the reward. The golden era of France-prior to the revolution-has continued in Quebec and Quebec must help France to recover her lost soul. Petain, of course, is the great leader who is guiding the tribe to the new golden era etc. etc.

This line of broadcasting is a ten strike in Quebec. It fits right in with everything the Quebeckers have been taught and it is no use trying to knock Petain with the French Canadians. Likewise, De Gaulle and the Free French are a projection from the age of sin. All leftists etc., are at once branded as remnants of the terrible past. Anyone who knocks Vichy is at once a Devil's advocate. You see, all of this ties in with all that the clergy have been preaching for the past hundred years.

The cardinal [*Villeneuve*], I am told by Norman, is very sound but cannot reverse this tide of sympathy and feeling;

> Frigon shares the mood of the Vichy-ites completely. He apparently is not a democrat. He believes in the ancient regime; is quite out of sympathy with modern times.

This general Vichy line, insensibly makes Quebec pacifist in temper. The war is an affliction for the past sins of the world. The conquerors are God's judgment etc. etc.

I think this is all understandable and comprehensible. It adds up. But I don't know what to do about it.

Brock[*ington*] took particular umbrage at a broadcast boosting Petain by a man called Tom Topping (Frenchman) who works on Le Droit. Norman had him checked up; he is a souse who has fits of deep repentance etc. etc. Quite sincere.

Radio Paris is more clearly straight Goebbels propaganda. They praise Mitch for resisting Ottawa. They praise Duplessis as a great

Canadian etc. etc. Norman says it isn't as clear as that, but that is the drift. He thinks Radio Paris should be exposed and is very pleased about the Mitch angle. He has copies of some of the broadcasts and has ordered the future ones to be taken down. He wants King to use this material in his plebiscite campaign and didn't want me to have it first. He thought King might make a very good impression in Quebec with it.

What's to be done.

Norman is supporting Murray because he fears that if Murray is destroyed by the radio committee, Frigon might get the succession-which would be desperate. Frigon is regarded in Quebec as a key man-the most highly paid French Canadian civil servant. Difficult to dislodge him. He doesn't see how Frigon can be attacked direct. As you say it is difficult to prove this kind of thing.

Phil [*Cote*] tells me that the editor of Le Jour [*J. C. Harvey*] and Hamel, the public ownership man, both very sound on the war, have been trying to get a chance to broadcast but have been turned down by Frigon. If this could be brought out by Quebec members in the radio committee, it might cause a stir. But would that help?

The official commentators in Quebec, incidentally, are Liberal stalwarts - one of them St. Just, the editor of Le Canada. Everybody agrees that if we took a whack at the C.B.C. re Quebec it would have the instantaneous result of unifying Quebec in defence of the status quo. It would be regarded as an attack on Quebec - not the C.B.C. That would apply, with more force, to any one else making the criticism - the Globe or any other paper.

The Radio Paris business is different but he was hanging on to his texts for the reason given.

Phil is most emphatically opposed to our getting into this thing. I have never known him to be so positive in his view. He is in it up to the neck, trying to stir up criticism in Quebec of Frigon and also to get something done to offset Vichy. But he insists that the French Canadians must do it. For the English-speaking folk to try would be fatal, in his view.

Norman is particularly concerned not to disturb the situation until after the plebiscite. He fears causing a freezing of sentiment against the plebiscite, whereas later reports are much more favorable and even Phil agrees that a change of heart is coming over Quebec-for reasons he does not understand. Cardin spoke for three quarters of an hour in favor of the plebiscite at Three Rivers on a week ago last Sunday and had a good hearing.

He was astounded and mightily encouraged. . ..

25. 14 April 1942 [DP, QUA]
[Information in the following memorandum came from Victor Sifton.]

I am becoming increasingly concerned in a helpless kind of way about Victor. He has been becoming progressively unhappier. Sometimes he talks of quitting, as you know, but I believe this, in every way, would be a course which, to himself, makes small appeal. He knows thoroughly what is wrong with the army and he has a pretty good idea of how to go about fixing it. But he is frustrated by his inability to make progress either through Ralston or the Army Council. To add to his mental anguish-a word which is too strong but not by much-affairs go from bad to worse. The army is less efficient now than a year ago. ...

Apart altogether from the public interest, I feel badly for Victor. He came in here, eager to put his shoulder to the wheel. He was well aware that he had a real contribution to make. He has completely failed to make this contribution, not because it is not required, but because the army organization is completely impervious to ideas and cannot be breached. He was saying last night that he has accomplished, apart from his own branch, next to nothing. He has been beaten at every turn. I admire most his capacity to bear the humiliation and frustration and to stick it.

The truth is that the army is in the hands of permanent force incompetents. On the one occasion when we had to organize an expeditionary force-Hong Kong-the General Staff, the Quartermaster General and the Adjutant General made a mess of it. The little junta here is saved by the fact that they operate at one remove from real war. They operate, really, as a forwarding agent for McNaughton and the British War Office. If we ever are invaded, it will be a disaster. The only word for them is incompetent. We really do not train troops for combat. Training is completed overseas. We do not train officers to the point where they are competent to command in action.

Ordinarily, one would expect that reform would be possible through Ralston, or the deputy minister. But Ralston knows nothing at all about army history and takes the view that his job is to act as counsel for the General Staff-faithfully to represent their views to the government and parliament. He thinks of Ken Stuart and the others as specialists and, as he once remarked, would as soon interrupt and advise a brain surgeon in the middle of an operation as to question the technical competence of the generals.

Moreover the Col. has an ingrained dislike of any criticism of what is. He immediately bridles and defends the existing position. His mind is more closed to suggestions than that of any minister I have ever known. And he is incredibly detailed. He never bothers his head about major policy, but surrounds himself with endless detail. The less important, the more he sweats over it. Victor cites case after case in a kind of humorous desperation.

Against this blackout there are occasional glimmers of light. Now and then the Col. gets into actual inspection-always, as recently in B.C., finding incompetence-but while these glimmers encourage Victor they have hitherto meant nothing at all. The Col. promptly relapses into the old rut.

The Col. has demonstrated plainly in a score or more of instances that he is bothered and nettled by conflicting advice. This puts the decision up to him and he cannot abide having to decide points which he is resolutely convinced lie outside his sphere of competence. Under these circumstances he has tended steadily to narrow the channels through which advice reaches him. Today, the chief of the general staff is the only real adviser which makes Ralston the willing, eager tool of incompetence. And while Stuart is not equipped for his job he shows a surprising agility in self-protection. His place enables him easily to shift the blame for bungles on others-as in the Hong Kong incident.

The latest example of all this has to do with the army estimates. The master general of the ordnance prepares the estimates containing the sums of money required to pay for the arms and equipment to be delivered in the fiscal year. Victor's staff did this with great care. The general staff later on and entirely without authority requested him to cut his estimates by one third. He found this impossible because the goods are going to come in and must be paid for. Ralston then asked him to reconsider his answer and comply with the request but again he refused on the ground that reduced figures would be dishonest figures.

Rather than face a showdown or disagree with the general staff, Ralston then, without Victor's knowledge, authorized the general staff arbitrarily to do the cutting which was duly done, by ex-Prof Goforth of McGill, and the reduced estimates were in due course presented to Victor who, unable to find any reason in the cuts, asked for an audit to discover the meaning of the changes. You see, the votes had not been cut by a straight third. Some were cut by 50 per cent, others by 20 per cent, and still others had actually been increased. There was a stormy interview with Ralston and the general staff in which Goforth, under

question, explained that he had begun the reductions from the total which the general staff desired and had merely made the items fit. He had not considered the meaning of the cuts, item by item. Victor went to the length of telling Ralston and the general staff that the cuts amounted, in plain language, to the cooking of the books. In the end, however, Ralston backed the general staff and yesterday Victor heard indirectly that it has been decided, hereafter, to risk no more interviews of this kind and to leave the preparation of the estimates entirely to the general staff. This, of course, will make the Ordnance an appendage of the general staff which, while not objectionable in itself, will certainly add to the general confusion and incompetence. The general staff is not equipped to do this work.

As for the deputy minister [*Lieutenant Colonel H. Desrosiers*], he was put in as a sop to Quebec by Mr. Lapointe and has no part at all in the administration of the department. Being a French Canadian he cannot be removed.

The solution - apart from a new minister or deputy - in Victor's judgment lies, in the beginning anyhow, with the proper operation of the army council. Victor has always had in his mind, since coming here, the departmental set-up as he learned of it in the last war. At the top is the minister who is the supreme commander-in-chief. Next to him is his deputy, who is also a civilian. Below these two is the Army Council, comprising the chief of the general staff, the adjutant general, the Quartermaster General and the Master General of the ordnance. This council is a cabinet. All measures not wholly attainable within a single branch should come to the Army Council for discussion and decision, with the minister presiding. The minister takes the advice of his council and all members are bound by the majority decision, unless they resign. But under the Col. the army council is not used except for trifling matters. Policy is not discussed but is decided by the general staff alone and approved by the minister. ...

I am not an alarmist, I hope, but I doubt if this can go on indefinitely. Victor will quit one of these days and will be sincere and straightforward with Ralston. He will tell him frankly that he does not approve of the way the department is being run. This I know would be a very cruel blow to the Col. who really loves Victor even though he will not listen to him. To the Col. Victor is just another civilian who cannot possibly know as much as a general in uniform. After the McNaughton business a break of this kind might well break the Col.

26.19 April 1942 [DP, QUA].

[Information in the following memorandum came from Phileas Cote and J.T. Thorson. Louis St. Laurent's explanation for Cardin's lack of organizing zeal in the plebiscite differs from Cote's, and is given in Dexter's interview with him on 11 May 1942. The more up-to-date report from Cote on Monday came from G.V. Ferguson who wrote to Dafoe: "Phil Cote, just back from Quebec City has a different story to tell. He says the favorable swing previously noted has been replaced by a violent reaction the other way. He is dismal as to the prospects. He lays the blame wholly on Cardin who, he avers, has double-crossed King. While paying lip service to the policy agreed to in the Cabinet and while speaking himself for a Yes vote, he has not only not set up any organization to effect that end but is making it amply clear by indirection that he wants people to vote No. He is suspected of financing from his own political purse, which is wide and deep, the activities of the No com-mittees. He has gratuitously developed a quarrel with Godbout who could have given and was ready to give Yes leadership, and has appointed an enemy of Godbout's, Edouard [Eustache?] Letellier, political organizer for Quebec. In these circumstances, Godbout, most of whose ministers are actively campaigning for a No vote, has retired into his tent. Phil estimates that a large minority of Quebec federal members, notably those from Three Rivers to Gaspe, are also campaigning for No. Chubby has set up an organization in Quebec City where the results may not be bad. Montreal Island likewise may not be bad either and there of course the English-speaking seats will swell the Yes opinion. But elsewhere he fears a small and strongly negative vote. The affirmative side is going virtually by default." (G.V. Ferguson to Dafoe, 22 April [1942] DP, QUA.) Elliott M. Little, an executive of Anglo-Canadian Pulp and Paper, serving as head of the Wartime Bureau of Technical Personnel, was appointed director of national selective service on 21 March 1942.]

I have been in touch with Phil Cote and other lads who are keeping Quebec under close watch. Their view is that the heavy ground-swell in favor of a "Yes" vote is continuing. Whereas it was feared that the vote might go nine to one against, it is now thought, at the worst, to be seven to three against and the improvement continues, though there is no indication of a mass swing-over.

The factors operating for a "Yes" vote are many and various. By and large the Quebec Liberal members have come through. The nationalists are becoming more clearly identified as a very small group. Hitherto, there were many people of prominence who had not lined up, and the vagueness of the situation permitted the nationalists to seem to be much more numerous than is actually the case. In the eastern marches of the province, particularly the Lac St. Jean district - now with a large population and much industry-there is a genuine nervousness of bombing. The government is being urged to provide anti-aircraft guns and fighter airplanes, etc. This new aware-ness of danger operates in favor of a "yes" vote. The exemption to farm boys under selective service has been a potent factor in allaying the fears of

the rural population. Still, more interesting, many of the farm lads who were called up and who left their homes in tears, found camp life very enjoyable and their English-speaking compatriots fine chaps. They have been good advertisers for military service. Many of these lads were pretty wayward at home, and the influence of military training in the eyes of the parish priests, has been very good.

The centres of antagonism are Quebec City and the area immediately contiguous to it and to a lesser degree the Montreal district.

Phil says that Cardin speaks favorably re the plebiscite, but his henchmen speak differently throughout the organization. Cardin has sort of paralysed the organization which is quite ready to go full out for a yes vote. Phil is down in Quebec again this week-end and I will have a more up to date report on Monday. Also I will see St. Laurent and forward his views to you. I may be wrong, but I am feeling optimistic.

It had been my understanding, gained from T.A. on numerous occasions and I think from King direct, that a "Yes" vote would be followed promptly by the repeal of Section 3 of the National [Resources] Mobilization Act - this section restricts compulsory service to Canada. I was, therefore surprised when Joe Thorson told me quite positively Saturday that cabinet had discussed this point and that there was no immediate intention of amending the act. If Section 3 were stricken out, he said, we would forthwith have conscription for overseas service. Thereafter, everyone called for military training would be subject to service anywhere. He is obviously strongly opposed to this course of action. The larger call-up for home service is having an astounding effect upon voluntary recruiting. Rather than be conscripts the lads are piling into the recruiting offices. I think this is true. Victor remarked the other day, that the ordnance service is swamped with volunteers. ...

Joe is sore at being robbed of National Selective Service and feels agreeably confident that the Labor Department will make a mess of it. He has small use for Little. ...

27. 26 April 1942 [DP, QUA].

[Information in the following memorandum came from Claude Melancon, formerly of *La Presse*, now associate director of public information.]

I had a long talk with Claude Melancon on Saturday. ... Melancon ranged over the whole Quebec situation. He is far from satisfied but

feels that the great thing is to carry the plebiscite. Quebec will accept conscription, he says, if there is a national "Yes" vote. There will be no serious resistance.

He has been doing his best to find out where the "No" money is coming from. His judgment is that more than one source is being tapped. As to nazi or Vichy money he is not sure and rather skeptical. There may well be some United States isolationist contributions, notably the Chicago Tribune which spent money on pamphlets etc. for Quebec in 1940, through its Canadian newsprint subsidiary. He is certain that money has been put up by Toronto anti-King extremists on the theory that, if the plebiscite is defeated, King must go.

A good deal of isolationist money has been put up by Quebeckers with strong Nationalist sympathy. Cardin he suspects deeply. He knows that Cardin indirectly supports Le Devoir, not because Cardin approves of Le Devoir's policy but as a kind of blackmail. Le Devoir is said to have much material on Cardin's dredging contracts in the St. Lawrence, but never criticises Cardin or his department. Melancon has direct knowledge of Cardin's hatred of Lapointe and, now, of St. Laurent. He thinks that Cardin is attracted by the thought of standing out against conscription and becoming what he has always desired to become, the undisputed leader of his people. ...

I polled the Quebec press on the plebiscite.

La Presse-neutral.

Le Canada-First advised "No" then Eustache Letellier, the editor was fired and Edmond Turcotte put in. Turcotte is sound and is running a strong "Yes" campaign. Cardin, however, put Letellier on the publicity committee for the plebiscite in Quebec where he has been applying the brakes as much as he can.

Le Devoir-Against.

Le Nouvelliste (Three Rivers) -Against.

Le Jour (weekly) -for but without influence.

Le Soleil-Neutral, but inclined to be opposed.

La Tribune (Sherbrooke) -same as Le Soleil.

La Patrie-Neutral.

L'Action Catholique-Favorable and helpful.

Re Jean Charles Harvey of Le Jour-Claude has known him intimately for many years-worked with him on La Presse 20 years ago. Harvey is a rebel. ... Left La Presse to edit a paper in Quebec city but was not taken up by Quebec society so wrote a book denouncing the people of Quebec. Lost his job and the church

banned the book. He countered by a book attacking the system of education and indirectly the church. The provincial Liberals picked him up and gave him a job. Later on he got Le Jour. Claude doesn't think he counts for anything.

Claude also thinks Le Devoir has about lost its influence. Everyone knows it is a kept paper and most people suspect Cardin [and] Simard of handing out the money.

Claude thinks the vote [*in Quebec*] will be from 70-30 to 80-20 against but says this is almost an impossible issue to estimate. He believes that the plebiscite will carry and is ardently for action. Quebec he says will submit.

28. 30 April 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Phileas Cote. WT Mulock, a son of Sir William Mulock, had been postmaster general since July 1940.]

The result of the plebiscite has been a cruel blow to King who, I believe, now realizes the degree to which he was double-crossed by Cardin and the Cardin organization. He has been talking with T.A. who has not yet sensed any disposition in King to come to a decision. King seems to be more aware of the adverse vote in Quebec than of the affirmative vote elsewhere. He doesn't see how conscription can be enforced against one third of the population.

T.A. thinks that most of the English-speaking ministers will insist upon immediate action. Joe Thorson, of course, will see eye to eye with Quebec. But Ralston, Ilsley, Angus, Howe, Mulock etc., will insist upon some definite implementation of the "Yes" vote. T.A. agrees and has been trying to work out a formula which would cushion the blow on Quebec. His was the formula which I mentioned in my despatch-to repeal section 3 of the [National Resources] Mobilization Act but not to use it until the voluntary sys-tem failed. Meanwhile, those already called would not be sent abroad and in calling trainees in future a different authority might be used-the Militia Act or a special order-in-council.

On the Quebec side there is talk of broadening section 3 to include service anywhere on the North American continent. This, I think, is silly in view of the vote.

Phil Cote says that King is ruined in Quebec and the right thing to do is to ram conscription through without delay. He is off to Montreal, I assume as Chubby's ringside observer.

29. 3 May 1942 [DP, QUA].
[Information in the following memorandum came from Herbert J. Symington.]

... Herbie is the chairman of the Canadian section of the U.S./Canada joint raw materials committee. When the Roosevelt-Churchill joint committees were announced last January, Howe sent Herbie to Washington to talk with Blatt, the U.S. chairman (and the chairman of the U.S.-U.K. Raw materials committee) as to the effects on Canada. Blatt wanted Canada to join up but Herbie first wanted to know how far it was proposed to push the authority of the U.S.-U.K. body. Was it the intention, he asked, to permit this committee to decide how Canada would dispose of her raw materials? Did Blatt expect that if this committee ruled that 100 per cent of Canadian nickel should go to the U.S., it would be sent, regardless of the need of Canadian war industry? And the same with aluminum, copper etc. Blatt said that undoubtedly this would be expected. Herbie answered that Canada would be always in a minority of two to one, with the British voting with the Americans, and that he could not advise Ottawa to accept the proposition. The result would be that Canadian war industry would be starved. We would lose our own raw materials and would get nothing from the U.S.-no steel etc. Blatt then said that our prime minister was heartily in favor of this course. “Who do you mean?” asked Herbie. “Churchill”, replied Blatt. “He isn’t our prime minister”, rejoined Herbie. “He’s Britain’s prime minister and cannot speak for Canada any more than Roosevelt can speak for Canada.”

By staying out and swinging all the power possible on our own raw materials, Herbie says the steel situation has been materially improved. We are getting our 1,700,000 tons of steel from the U.S. now. We were not getting anything like that quantity before. We have built up three months supply ahead for H.R. MacMillan. Herbie doesn’t know how long this will last but he feels sure that if we surrender our cards in the game-our own raw materials-we would simply be stripped of everything and get nothing from the U.S. Our war industry would collapse. Therefore we are not going into the raw material U.S.-U.K. committee.

As for the assignments -allocations committee [*Munitions Assignment Board*], he thinks we should go into it provided the financial difficulties can be worked out. Ilsley and Howe are going to Washington tomorrow to propose that we join this committee and that Washington agree that everything we turn in to the committee for allocation-whether to Britain, China, Australia or elsewhere- we are to

be paid in U.S. dollars. This would completely solve our U.S. exchange problem, indeed give us a handsome surplus. The Canadian corps, as you will recall, is to be supplied by the British and does not come out of our own production prior to pooling. We only deduct our home defence needs and pool the balance.

30.7 May 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Angus Macdonald.

How to respond to the results of the plebiscite occasioned intense debate among federal Liberal politicians, and Dafoe participated. He was not yet ready to agree to a return to parliament before the enforcement of conscription, as was made clear by the 7 May 1942 leader, a summary of which was telegraphed to Dexter by G.V. Ferguson. The telegram read, in part, as follows: "Summed up argument is that section 3 must go and that thenceforth all soldiers are fully at disposition of government. Repeated statements have been made that no immediate need for conscription at present. Intervening period between repeal of section and sending of men abroad should be used for education purposes on "no" vote." (G.V. Ferguson to Dexter, 7 May 1942, DP, QUA.) The kite which Angus Macdonald proposed and to which Dafoe assented has been impossible to trace. Certainly the *Free Press* carried no British United Press story in May 1942 which could be expected to persuade Prime Minister King that he ought not to insist on returning to parliament before implementing conscription. Dafoe's telegram of 7 May 1942, advising "no precipitate action" was preceded by the following: "We see no case for policy proposed [*return to parliament before implementing conscription*] except political argument that it will prevent split now and bring united action later. Opposing argument that it is not likely to produce unity at moment and that even if it did it would lead to continuing controversy and make later disagreement more certain seems to us to be more soundly based. Action by parliament with wise subsequent use by government of its discretionary powers affords sensible way out of impasse." (Dafoe to Dexter, 7 May 1942, DP, QUA.) King's past words that he thought appeared on p. 914, in fact appear on p. 984, Canadian House of Commons Debates (1942), where he is referring to his government's past commitments not to introduce conscription for overseas service.]

I'd better put down my goings and comings before the detail slips out of my mind.

Was much with T.A. yesterday. He feels that the situation is all but hopeless. I gave him the chief's message which was to effect that a formula would only have virtue if it held the English-speaking members of the government together. It would be worthless if it failed to do this. I added that I thought the chief concerned as to what might happen. He sensed the point, thought a bit, and remarked that having put out the formula he did not think he would change. He would go through with it.

The position, he said, was this:

All agree that section 3 of the National [Resources] Mobilization Act must go. From that point St. Laurent took the field and argued from Mr. King's past speeches in the plebiscite debate and in the campaign that the Prime Minister was obligated to come back to parliament before conscription was applied. Angus and Ralston were outright opposed to doing this. They did not desire to apply conscription immediately but they thought that any pledge to return to parliament would mean having the controversy all over again. T.A. tried to bridge this gap by suggesting that the government should decide on conscription and impose it, only coming back to parliament for a vote of confidence. St. Laurent conceded that the government might "strike the die"-decide on the imposition of conscription - but, even if only as a formality, should come back to parliament.

T.A. says he has been very careful not to commit himself on compromise propositions. Has tried to feel his way. Angus opposed but in good temper. Ralston exceedingly difficult. T.A. spent yester day from late afternoon until 10 p.m. with Angus. Haven't heard T.A.'s report as yet but have seen Angus who never yielded an inch.

T.A. says that one almost insuperable stumbling block to compromise is Joe Thorson who is easily more anti-conscription than Cardin. By actual calculation Joe did 40 per cent of the talking at yesterday's cabinet meetings and he got right under Ralston's hide. Angus finds Joe almost unbearable. At times he feels like walking out of the council room. Cardin has been saying very little. St. Laurent has been carrying the ball for Quebec. King has said very little in the actual cabinet discussions, preserving carefully the semblance of neutrality and leaning first towards St. Laurent and then to Angus. But King has conceded that he is bound by his past speeches to come back to parliament and that he must stand, personally, to this course. Just the same, he suggests that the cabinet is free to decide as it pleases. If the decision is against a return to parliament he must, of course, resign.

T.A. polls the cabinet as follows: Ian [Mackenzie], MacKinnon and Gardiner are solidly with King. The Ontario ministers say very little, and he figures are just naturally King supporters. Quebec is solid with King. Angus and Ralston and Ilsley are the bolters.

T.A. was keen to have today's (Thursday) leader airmailed down to King and himself. He was of this view because he thought it would say that a compromise re the return to parliament would be

acceptable if it meant cabinet unity and involved no retreat from the decision to apply conscription if and when it is necessary. ...

King has been talking privately with T.A. and there is not much doubt that he means to resign if the worst comes. That is definitely T.A.'s opinion. He spoke to T.A. of placing the responsibility for the split squarely upon the bolters. They would have to nominate their man and he would recommend to the governor [general] to call on him to form a ministry.

Got a call from Angus this morning. He went over the ground in detail. This is 1917 all over again with King playing the Laurier role. What King really intends is never to impose conscription unless he can carry Quebec with him, that is, the bulk of the Quebec Liberals. All these words are just a smoke-screen to cloak a quite realistic policy. He [*King*] hopes that between now and the next time a crisis develops something will turn up which will enable him to get by with conscription in Quebec - a terrible defeat, invasion etc. Angus said his [*own*] mind was made up - absolutely - he would never yield. The government must be free to act after section three is repealed and no second crisis and debate in parliament. Ralston, he said, was equally solid. Ilsley was not so certain. Ilsley has been away and anyhow he is so taken up in Finance that he doesn't follow this kind of thing closely. But Angus thought Ilsley would stick with them.

He knows that King is thinking of resignation and he believes that, if King resigned, he would retain the western ministers, with the possible exception of T.A., and most of the Saskatchewan Liberals. There would also be a good few Liberals in Ontario who would follow King-including McLarty and Mulock. If anyone accepted a commission to form a government, and he [Angus] quite sincerely rated himself as the least worthy among the three, a dissolution would be inevitable and in the long run it would mean crucifixion in the national field. He had withstood T.A.'s arguments of yesterday but had been thinking that it might hasten matters materially if a kite were flown in the newspapers. This would put the heat on King and force a quick decision. He wanted the chief's judgment on this and also the chief's advice on what he should do. The chief having agreed to the kite, it was duly arranged with the British United Press.

The advice arrived [*from Dafoe*] and was delivered just before the House met. Angus read it carefully sensing that the chief was in favor of his position and disliked the compromise unless it could be

said of it that a break-up would be prevented now and united action assured later on. Then he came to the last two sentences: “There should be no precipitate action by anybody while situation is being thoroughly explored. Disruption would be complete negation of any claim to statesmanship or patriotic concern for country by parties responsible.”

Angus looked up and said: “Who does that apply to?” I said I thought it applied to Angus L. He laughed and his eyes took on the glint of true merriment. He really liked it. He agreed that it was good advice and that he would conform. He would not act irresponsibly.

He went on to discuss the cabinet he had just left. But stopped in the middle to ask about the kite. I said the chief had agreed and he had better not know anything more than that. He nodded and laughed again. Perhaps, he said, I would have made an editor. (I had strongly opposed a kite in the morning discussion.) At the latest cabinet he said that King for the first time had shown some signs of weakening. King had said that there were his past words, particularly the passage at page 914 of Hansard, and that people relied upon his words. They were terribly important. He must be frightfully jealous of his honor etc. etc. What the war was all about and so forth. How would it do to say that the government proposed to strike out section 3 and would apply conscription when it became necessary to do so? Having applied conscription, the government would report back to parliament on the accomplished fact. Angus said that would suit him fine. But forthwith King was stricken with doubt. Would his past words bear such an interpretation. Parliament might be in recess. What then? Would parliament have to be recalled? And always there was his honor, his obligation to redeem every letter and semi-colon. Angus said this got to be too much for him. He had been taking notes on a scrap of paper. He showed this paper to me and it was chiefly filled with the word, “words, words, words, words”. He told King that he was sick and tired of hearing about words. The country didn’t give a damn about fine-spun argument over words. The country had voted for conscription and wanted conscription when it was necessary-not words. King had not replied, just kept silent. The cabinet broke up without the Quebeckers expressing any view of the new formula, and Angus said that only the Recording Angel would know if King had withdrawn his proposition or if it still was on the table.

Interesting to know that King wobbled. I had rather concluded that he would stay put. But I don’t think there is any doubt but that Angus and Ralston must either have their way or quit.

31. Letter from J.W. Dafoe to Grant Dexter, 8 May 1942 [DP, QUA]. [Dafoe here makes clear the reasons for his opposition to the idea of returning to parliament for approval before implementing conscription.]

This attempt by Mr. King to impose his will upon members of his Government by creating real or phoney conditions which seem to leave no other way open is certainly a tactic derived from Laurier's strategy which worked over a long term of years, but ultimately suffered shipwreck. It turned out that there was, after all, "another way"; and Mr. King, if he persists, will make the same discovery. As the situation has unfolded, as revealed in your telegrams and telephone conversations, I found myself beginning to recapture the feelings I had towards Mr. King when he was sabotaging the League of Nations upon every possible occasion-feelings which I forgot about when the war came and he took the right line. As you know I have had no questionings about King's war policies, except on minor points of emphasis and timing. Upon the whole he has done a good job; and I do not think he was ever wiser than when he decided upon the plebiscite. The verdict of the plebiscite gives him a clear road to firm ground; and if, instead, he makes of it a path to the morass he will pay the penalty of having his career crash, which I should regret and what is much more important, he will do the country an injury that might easily prove calamitous. If King sticks to the line he has taken up, every French-Canadian-even those who would gladly follow him if he took the moderate and proper course-will feel himself bound to stand by him, and we shall have 1917 and its con-sequences over again in even more extreme form. If it is urged that since these consequences would follow a refusal on the part of other Liberals to accept Mr. King's formula it is their duty to come into line for the sake of the country, the answer is there comes a time when the line has to be drawn-and it seems to have arrived.

Some of the many reasons why I think the policy wholly inadmissable are suggested, rather than fully elaborated, in our leading article this morning, which I enclose. To get an insincere support from the French malcontents for the bill repealing Section 3 by holding out expectations that they could make a successful stand later on against the application of conscription, would be apt to bedevil the country meanwhile and end in a convulsion which, if it has to come, we had better face right now when the known merits of the issue put the malcontents wholly in the wrong. I think the contrary theory that in the interval betweeen the first and second intervention by parliament, feeling would die down making the second decision nearly unanimous

sadly lacking in any sense of reality. I can hardly think it sincere.

As for Mr. King's attempt to create a new body of "engagements" and "pledges" which would limit the rights of free judgment by his colleagues and parliament as to the procedure by which the vote should be implemented, I shall not try to characterize it suitably unless future developments make this necessary. Not one in a thou-sand of Mr. King's hearers drew from his statement the inference which he now holds should be apparent to all.

The thing to do is to follow the road that is plainly indicated: Remove Section 3 and let the Government take on full responsibility. The Opposition will demand instant conscription and will thereby strengthen the position of the Government, for I am sure public opinion will support the Government in its policy of relying mean-while on voluntaryism. I find it difficult to believe that the French, in any large numbers, will openly oppose this programme. If they do the responsibility for what may happen will be theirs. As you know we have been keen to see the French deprived of any basis for a grievance cry; and this has been accomplished. If they make trouble they will do so deliberately. I don't believe they will take the plunge.

32. 11 May 1942 [DP, QUA].

[Information in the following memorandum came from Louis St. Laurent.
Cardin tendered his resignation on Saturday, 9 May 1942. The prime minister accepted it on 11 May, and on the same day announced it in the House of Commons. He also went on to introduce Bill 80 replacing Section 3 of the National Resources Mobilization Act which restricted conscription to Service in Canada. Chubby Power's version of the plebiscite campaign differs somewhat from St. Laurent's. In his memoirs he recalled taking part in the campaign with St. Laurent and Cardin. He thought that Cardin's heart was not entirely in the work, but he mentions no attempt by Cardin to prevent him from campaigning. (Ward, Memoirs Chubby Power, p. 134.) Sam Jacob's successor was P. Bercovitch, Liberal MP for Cartier (Montreal). When St. Laurent said he argued with his fellow Liberal MPs from Quebec on the line of Burke's address at Bristol, he is referring to Edmund Burke's address to his constituents at Bristol in 1774 in which Burke made the classic defence of a member of parliament's independence of judgment and action. Once elected, the member is responsible for the general interest of the nation, and he owes to his constituents his best judgment, freely expressed, whether or not it agrees with theirs. St. Laurent's promise to call Georges Pelletier, editor of *Le Devoir*, on the carpet was perhaps carried out, for G.V. Ferguson reported to Dafoe on 4 June 1942: "Le Devoir is funny reading these days. I gather Georges Pelletier had the gizzard scared out of him by St. Laurent. Their poisonous leaders have been replaced by excursions into the fields of public welfare and belles lettres." (Ferguson to Dafoe, 4 June 1942, Dafoe papers, NAC.)]

The tragic feature of the position in Quebec was that it need not have occurred. Cardin was not in his estimate a sinister man. He was the vainest person St. Laurent had ever known. Cardin, said St. Laurent, had thought that, if he made a speech or two asking for a "Yes" vote, the people of Quebec would follow him. The shock of the "No" vote was terrific. He felt deserted, abandoned and such was his vanity that he had resigned, no doubt, with the clear hope of resuming the leadership of French Canadians.

It would have been possible to have divided the vote in Quebec more evenly. If Cardin had not refused to allow Chubby, Godbout and himself to act, they could have rallied three-quarters of the federal members and half the provincial members in the "Yes" campaign and the results would have been sufficiently favorable to have avoided this crisis.

He does not know, clearly, how serious the position is but he took out his pencil and noted 10 or 12 [*Quebec*] members he felt sure would stand with the government [*on Bill 80*]-Brooke Claxton, Doug Abbott, Jacob ----(Sam Jacob's successor), Thos. Vien, Chubby, St. Laurent, Macdonald of Pontiac, Bertrand and a few more. There are a few Tories. Say 48-50 bolters. But some of them might return before the vote on second reading. His intention is to keep the welcome-sign out.
The best way of helping was not to criticize or condemn the bolters, but to try to understand their position. He had talked with many of them and they had been very frank, except-and he shrugged his shoulders-that they had not told him of their meeting on Thursday (yesterday) afternoon when they had passed a resolution supporting Cardin.

They were not, in the main, against the war. They wanted to win and to do their part. They took a constitutional position. Most of the members, they said, had been opposed to conscription and had given pledges. The electors of English-speaking Canada had released their members from the pledges but their electors had not released them. They felt that they were bound by the "No" vote. St. Laurent said there was very little extreme nationalism among them. He argued with them on the line of Burke's address at Bristol but made little headway. All of them, however (and he was emphatic) firmly desired the government to continue in office. It never occurred to them that the government might fall and he felt sure that any danger of this sort would affect their voting. As time passes and the government comes under strong criticism from the Conservatives, C.C.F.s and Social Crediters because

conscription has not been imposed at once, he thinks many of the bolters will return.

Also the government is going to carry on a real conscription, war-morale campaign in Quebec. Cardin has hitherto made this impossible. The government he says must become much less tolerant; it is the only way to handle Quebec. Nazis, Communists, short-wave broadcasts, defeatist or anti-war propaganda will be ruthlessly dealt with. Georges Pelletier will be called on the carpet and asked to change his tune. If he does not do so, Le Devoir will be summarily suppressed. He hoped the chief would understand the reasons back of this change in policy. He expects that English-speaking Liberals would be shocked when the strong-arm stuff begins. He is not downcast. With Cardin gone, the job can be tackled and he feels success is possible.

As to how conscription will be brought in, he thinks the decision is some way ahead. Much may happen before the time arrives. If an emergency arose he would be quite willing to apply conscription by order-in-council but as things stand it is inconceivable that there could be such an emergency.

Otherwise he is convinced that the government should pass the order-in-council but not apply it until a resolution vote of confidence has been obtained from the Commons. He does not understand Angus L.'s antagonism to pre-sanction by parliament and he is not worried. He knows that King understands the position thoroughly and he is certain that Mr. King is in agreement with him. "We under-stand each other on this point." For himself, he cannot see how a government would dare to embark on conscription without first obtaining parliamentary sanction, and he would be prepared to resign on this point. He will make a speech along this line on second reading but his phrases, as I listened, did not seem to be sufficiently pointed to bring on a crisis. He didn't suggest that he would say that he had an understanding with King.

33.13 May 1942 [DP, QUA].

[Information in the following memorandum came from Angus Macdonald.
Dexter reported by telegram that the caucus of 12 May was a "love feast," and that a resolution of confidence in Prime Minister King was carried unanimously. "A few of the boys from Quebec said they regretted having to vote against this bill [*80*] but had no intention of giving offence. Only a handful spoke against. All hands invigorated" and cheered up. However, the next day it appeared that at least two members-Macdonald and Ralston-were far from euphoric. (Dexter to G.V. Ferguson, 12 May 1942, DP, QUA).]

Talked with Angus this morning. He and Ralston had been reviewing events last night. They strongly suspected a secret deal between King and St. Laurent to return to parliament before imposing conscription. They resent this deeply. Indeed, it would be impossible to exaggerate their distrust for King. Angus had kept notes of King's speech to caucus and went over them to show that King never once made a direct statement. Weasel words popped out of every sentence.

He does not agree with the Chief that such an agreement does not do great harm. He hates King so much that he is scarcely reason-able. But he makes this point: King's statement on the first reading of the bill was gone over by cabinet and approved. Half a dozen times, he said, he challenged the meaning of the sentences. It was agreed, not once, but over and over again that there was no decision as to what will happen when conscription becomes necessary. Mr. King-the government will decide-does not mean that conscription will be imposed by the government direct. Nor does it mean that the government will decide to go back to parliament for a vote of confidence. There is no decision and in honor King has no right to make secret deals.

I don't put too much weight on this. King could only make such an agreement as an individual, and Angus and Ralston have certainly made a deal the other way. It is pretty bad just the same.

But, Angus goes on, St. Laurent will be compelled to pass the word along in Quebec, in his fight to hold part of the Quebec contingent. It will spread swiftly and will evoke a continuation of the anti conscription campaign in Quebec. There may be a good deal in this-next month will show.

Meantime, if St. Laurent leans ever so little in that direction his speech on the second reading, Angus will follow and lean in the other direction. He would prefer to have the crisis daily during the debate if that is possible. He realizes that if King staves off the decision until the last moment-until conscription is going to be imposed-it will seem merely a matter of hair-splitting to resign. I don't think there is a doubt of his desire to resign. ...

34. 22 May 1942 [DP, QUA].
[Information in the following memorandum came from J.L Ralston and Victor Sifton.]

I've been scribbling marginal notes re Victor but better make a job of it.

Ralston was very offhand and cavalier about his letter of resignation. Victor delivered it to him about one week ago. Ralston declined even to open it but apologized profusely for past mistreat ment of Victor. I learned now from Victor and direct from Ralston that he (Ralston) had been very dubious about appointing Victor and had told Victor that he found it difficult to believe that a newspaper-man could handle so big a job as that of M.G.O. Ralston half inclined to agree with Victor about inefficiency of the department but full of excuses, all of them containing, I think, some validity.

No time - the manpower fight in the cabinet, the plebiscite, Hong Kong, now the new cabinet crisis-no time to attend to the real work of the department. The General Staff not so hot but where were the successors? All very well for Victor to keep driving for better men. He didn't agree with Victor that good men could be pulled out of a hat. True, Victor had had luck with his own personnel, but the department as a whole was different.

Victor thought things were going swimmingly until Wednesday night when Ralston phoned me to get help with a speech but wanting also to talk about Victor. He said, very casually, that he hadn't the slightest notion of accepting the resignation. Perfectly impossible. Wouldn't even consider it. Victor better come and take the letter away etc. etc. This struck me as highly amusing at the time, but I am bound to say that Victor didn't see the humor of it and had a real go with Ralston on Thursday morning.

Ralston called me down Thursday afternoon. He wasn't casual or (it's not quite the right word) humorous about it, but Victor simply was not going to go. To begin with stories of disagreement might get around. Anyhow, he couldn't get to first base with Howe with respect to weapons and equipment. The only man who could back Howe down and get results was Victor. He was not going to lose him. Also there was the Washington situation where Victor had completely outmanoeuvred Howe. Smoot Mavor, V's man in Washington would probably quit too. Certainly he wouldn't work as well for anyone else. No. His mind was made up.

I tried to dissuade him. Pointed out that Victor had quite a mind of his own. He couldn't deal with him in this fashion etc. etc.

But he wrote Victor a two page letter full of praise, stressing the Howe and Washington angle, and insisting that Victor stay at least until September. Nothing in the letter to indicate any change in the department, any improvement. The letter was unconsciously a very selfish one. It kind of just put it up to Victor to stay. There was no attempt to meet him even a pace nearer. And it was an indiscreet letter in the sense of the reference to Howe.

We've wobbled around a good bit. I don't know what Victor's decision is. My own view is that there is something in the Howe angle. Howe has a contempt for Ralston as a business man. He just plows Ralston under. On the other hand, Howe likes Victor and while they fight like hell, they get along very well. Undoubtedly V will seek advice from you.

My feelings are quite clear. Under the existing conditions I very much doubt if Victor can last until September without a physical breakdown. I think he would agree with that. Nothing in the department, none of the conditions which make the job impossible, are to be modified. There is absolutely no suggestion of any changes which would make things easier.

Under these conditions I think that Victor is right when he suggests that his second in command who is a pal of Gen. Stuart, can do the job more harmoniously than V can. If conditions are to continue, and the Col gave me clearly to understand that changes are out of the question, then this second in command is the man for the job.

The Howe angle is a difficulty. My guess is that V's second in command would get nowhere with Howe. Perhaps Victor could stay on to do that work. I suggested this as a solution but Victor thought little of it. He has been thinking things over and I think is rather inclined to compromise with the Col. on the matter of time. This scares me as I doubt if things will look as good as they are now, say in August. He hasn't come to a decision and I think will go to you for advice before he does. I hope he sends you Ralston's letter. I shall never think the same of this man again. Thought a memo might be helpful.

35. 15 June 1942 [DP, QUA].

[Information in the following memorandum came from Angus L. Macdonald and J.W. Pickersgill. Prime Minister King spoke on Wednesday 10 June 1942, on the second reading of Bill 80. Oliver Lyttleton was a member of the British war cabinet.]

... *Cabinet*. King's speech on Wednesday was satisfactory though it is noticeable on careful reading that he nowhere says specifically that he won't come back to parliament. I thought he had said so but Jack Pickersgill corrected me and on re-perusal I stand corrected. Cardin's speech rocked King. On Friday [12 June] at cabinet he wobbled very badly. Repeated what he had said at caucus that he could not conceive a Liberal who would desire to impose conscription without the direct sanction of parliament. He began with Grandpop William Lyon [Mackenzie] and his great struggle for the supremacy of parliament, the people's representatives, over the executive, etc. etc.

This shook the boys down plenty. Ralston wrote out his resignation early Friday p.m. and rushed off to WL.M.K.-without, however, signing it! He had an hour with the great man-"inconclusive." Angus put in for King also but after a major dose of Ralston, King fled to Kingsmere. T.A. also disturbed, and tried to get King to point out how unnecessary his remarks were.

The Maritimers fomented revolt over the week-end and were all set for King today.

... Today they were all set for King in cabinet, but he dodged. He rushed off to hear Lyttleton at the Canadian Club-again leaving them in mid-air.

Ralston begged Victor not to press his resignation pending the blow-up. Angus is awaiting an audience.

King hid all day in his seat in the House of Commons. It was as if he dare not leave the House for fear of running into a flurry of resignations.

Jimmy Gardiner was the chief speaker this afternoon. He is playing with Cardin-an ardent anti-conscriptionist. He got cut off this afternoon by the 40-minute rule just when he was coming to the point. His anti-conscriptionist views are very evident in his speech.

After Jimmie, the chief went to see T.A. and I talked with Angus. He is becoming fatalistic. No use trusting King-a twister and a wobbler who does not mean ever to have conscription. He will stand by Ralston. Ilsley will too, he thinks. They must really make King straighten out or force the issue now. He is certain that King means to keep dodging until cornered and then to have a general election. An election he thinks is the only way King can hope to ditch the conscriptionist rebels. Their position would be impossible. They would have no time to organize a party. They would be sunk. However, there is no other way, he says, to put King to the test.

Talked briefly with Hanson's secretary. Meighen increasingly active, constantly interfering, and would step into a general election as leader.

Well... the position looks very bad but there isn't any particular reason to think that somehow it won't blow over.

As to Angus, I do not doubt his sincerity.

Ralston, I suspect, thinks this a good way out. He is running into very heavy weather ahead. The army is too large. Gardiner meant to state the plight of agriculture today. Howe has at last decided that the drain on industry must be lessened. I think he means to say so tomorrow, in the debate. Our ministers now do their fighting in the House and not in cabinet. ...

36.17 June 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar. J.W. Dafoe had a meeting with Prime Minister King in Ottawa on 16 June 1942.]

Talk with IA.

After his conversation with the chief, King came to a decision with respect to the procedure of applying conscription. He made up his mind last night and discussed it with T.A. this morning. He intends to declare himself at the close of the present debate on the second reading of the bill.

He said that he proposes to pass the order-in-council imposing conscription but to withhold the signature until parliament has been summoned and a motion of confidence carried. The motion will be put under closure and the debate will not continue above 48 hours. After the motion is carried, the order will be signed and made effective. This means that the policy will be decided and the government will stake its life on the outcome of the debate.

T.A. said that he was in agreement but that Mr. King should bear in mind that he might well lose at least two colleagues on the policy.

King said that he realized this and regretted it, but that his mind was clear and if Macdonald and Ralston resigned he would have to find others to take their places. No word of a general election. He did not seem to think that the government would have difficulty in surviving these resignations.

37. 25 June 1942 [DP, QUA].
[Information in the following memorandum came from Victor Sifton.]

Victor will be out on July 1. Ralston agreed to accept his resignation last night after a long discussion in the course of which he offered Victor the deputy ministership. Victor turned this down but promised, if Ralston was unable to find a good man in the course of a month, to consider a renewed offer very carefully. Provided Ralston was prepared to have a real deputy, I think Victor would be very much tempted to take a shot at it, but the probabilities are very strongly in the other direction.

The situation has flattened out. Oddly enough the Liberal members regard Angus' speech as much more offensive than Ralston's. Angus, it is true, satirized King's arguments re conscription-with out mentioning King. But all that he really said was that he could not agree to two debates. Ralston, on the other hand, took up Howe's challenge on manpower and came down directly and heavily against the proposition that we have exhausted manpower. He proposed to reinforce and "strengthen" the army. He also changed his army quota, to increase the number of men required by some 30,000. ...

I am afraid my reading is far in arrears both with respect to Hansard and the committee reports. There seems to be no real chance to get down to it here. The interruptions are endless.

I think I will go up to the cabin Friday afternoon and work there until Monday. I am confident there will be no cabinet ructions in the meantime and there is no telephone to interrupt. ...

38. 4 July 1942 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar, Humphrey Mitchell, J.T. Thorson, and Angus L. Macdonald. Elliott Little was director of national selective service.]

Talks with various people in past few days.
T.A. thinks manpower crisis is right on top of us. It will confront cabinet just as soon as the business of the session is out of the way. Indeed, there might well have been trouble before now only Howe has gone away for a holiday and no other minister is prepared to block Ralston.
Very large extensions to war industry have been made in the past few weeks and more are impending. We have greatly enlarged the Bren gun plant. Copper output in B.C. is being enlarged although the existing

mines cannot maintain their present output because of labor shortage. He has a letter from the minister of lands and forests, or some such department, in B.C. saying that British Columbia is falling down in the output of timber and base metals and that the time has come when we must choose on a priority basis between essential industry and the army. Large extensions are underway at International Nickel. The magnesium plant with its brucite raw material development is just beginning to make demands on man-power. Nickel, by the way, is now short 450 hands.

He [Crerar] had a long talk with Howe prior to his going on holiday. Howe is under fire from industrialists all over the country. They declare that unless the drain on manpower is stopped they can not fulfil their contracts and maintain output. Howe feels that he must oppose Ralston and I guess there is enough bad blood between them to make Howe rather happy about the impending clash.

There is resentment in the cabinet because Ralston has chiselled some 30,000 active service recruits out of the current programme, plus 4,000 per month which he says must go into home defence requirements. The lads have the feeling that Ralston is doing everything he can to hasten the crisis.

T.A. says that he has heard some discussion among ministers of a proposition to reduce the use of newsprint by newspapers and switch the men cutting this wood to the lumber areas. The men from the newsprint industry could be switched to war industry.

Hump Mitchell: said he was a conscriptionist and was really on Ralston's side, qualified by loyalty to King and a desire to hold the government together. I pointed out that he was in a decisive position as between Ralston and Howe-in the centre of the teeter-totter. He said that it was a damned nasty spot to be in. He had told parliament that there was no more unemployment, no more slack to be taken up. But there were all kinds of men to be squeezed out of unessential industry and why could not the home defence army be lower-category men? Just the same, in his opinion we have overextended our-selves in every direction. We have taken on more army than we can support; more war industry than we can operate; more food production than we can handle. It was a mess.

One of the great difficulties is that heavy industry has recruited from agriculture and this source has dried up. At the same time there remains freedom of movement within war industry and men are drifting constantly and in large numbers from heavy to lighter work. Thus the most critical shortages were in heavy industries where the

competition is not for unfit workers but for first-class fit men. He thinks we must freeze everybody in his job but cannot persuade Little to take this step. Little, he says, wants more time to get his organization going. But there is no time. Little says if we try to freeze labor, the result will be a breakdown. Hump's answer is: "Let's have a muddle and learn something." Up to yesterday, Mitchell and Little were still sparring on this matter.

Hump has gone down a bit in my estimation. I find he is playing both ends. With Ralston and Angus he is a conscription-now man. With the others he is a conscription-when-the-time-comes man.

Joe Thorson: Very bitter against Ralston and Angus. But before it slips my mind, I found Mitchell very critical of Joe and National War Services. He says that at the present time he and Joe are both meddling in the manpower business. He [Mitchell] has his employment agencies and selective service people all over the country, without power to compel, but deciding as between the manpower demands of different industries. Joe's National Selective Service Boards have all the power of compulsion, acting for Mitchell where compulsion is needed, and these boards decide whether or no a man is to go into the army. You can't have two sets of boards dealing with manpower and Hump insists that, as in England, the whole function must be his; he must take over that part of National War Services. This, of course, would leave Joe with practically nothing. ...

Joe has been talking to Howe who is incensed at Ralston's statement that the army does not take men required in industry. That, says Howe, is untrue. Ralston takes them and then, if Howe makes a point of it, he gives the men leave of absence from the army pending the training of people to take their place. But in fact most men refuse to apply for exemption and the men and not the employers must make the application. They prefer to go into the army rather than appear to be seeking protection. Howe wants this changed so that the question shall be decided at the time of the call-up and it will be open for employers to make representations. He wants war industry men exempted from army service, not taken in and given leave. ...

Angus L: Not a big army man and had opposed Ralston in the past, particularly in sending the third division overseas. He believed that a five-division army was the absolute limit and he recalled that Ralston had said so in cabinet last fall. He doesn't know Ralston's mind on future army plans but for himself he thinks we must maintain war production but must also be prepared to do our share of the fighting.

He is less worried about shipping losses than before. We are still losing more ships than we are building but the heavy losses off the U.S. seaboard have been largely the result of pig-headed qualities of U.S. navy chiefs. They refused to convoy along the seaboard on the ground that they hadn't enough escort vessels and to bunch the cargo ships, under these circumstances, would be to invite wholesale sink-ings. The British and Canadian authorities argued that this was untrue. It had been proved in British and North Atlantic waters that the convoys were successful even if you could not give perfect escort protection. You might only have three escort ships instead of six, but the submarines would sheer away and seek easier prey. The U.S. navy had been over-ruled and Canadian and British naval forces had come in to help. Convoying was being rapidly expanded. Our navy is convoying as far south as Boston and the British are helping out further south. There is no reason to believe, he says, that there are fewer U-boats loose now than previously or that German output does not still exceed losses. He hasn't much faith in the capacity of air raids to knock out industry.

As for our navy, he now has 37,000 men in it but says that the past rate of expansion cannot be continued. You cannot train men quickly enough and past a given point, nearly reached, you cannot spread your trained men more thinly. ...

39. 9 July 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Angus L. Macdonald, H.J. Symington, and J.G. Gardiner. The message Dafoe sent Angus Macdonald by way of Dexter was that disagreement over whether the government should return to Parliament for a vote of confidence before or after signing an order-in-council enforcing conscription did not offer sufficient grounds for resignation from the cabinet. The report that Elliott Little of Selective Service supposedly did for J.L Ralston was in fact prepared by J.A. Walker and T.A. Robinson of the Labour Supply Investigation Committee. Joseph H. Harris was Conservative MP for Danforth. Prime Minister King made his first speech in the House of Commons on Bill 80 on June 10. Donald Nelson was chairman of the American War Production Board.]

King discussed his speech on the closing of the conscription debate at the cabinet meeting on Tuesday [*7 July*]. He said that he intended to say that the gov't would come back for a vote of confidence after the order was approved but before it was signed. T.A. incidentally says that it is perfectly obvious that King from the out-set had an understanding to this effect with St. Laurent and, later on after his resignation, Cardin was brought in.

Ralston said that he could not agree and that he believed such an announcement would provoke a storm of indignation in English-speaking Canada. T.A. dissented and Ralston countered with what would the Free Press think of it. T.A. replied that he did not know but was quite prepared to wait and see.

King argued with Ralston, making it plain right off that he was unable to yield but stressing the constitutional aspects, the democratic aspects and so on. Ralston was obdurate stating definitely that if this was the decision he regretted that he could not remain in the cabinet. The meeting just disbanded, broke up without further discussion and no decision. I understand that Howe was not present at the meeting.

King, in delivering the speech, was in excellent form. He seemed robust, rested. His voice was clear and adequate for the chamber. He spoke with great deliberation, no hesitation, no twitch of nervousness. Under tension Willie has a trick of half-dragging one leg. There is, too, a curious twitch about his face. Noticed neither of these signs. He was held up about half an hour by Joe Harris, who insisted upon going his full 40 minutes. During this time King sat alongside of Ralston. It was very noticeable that Ralston had his back to him and when Ralston turned a bit to ease himself in the seat, King instantly turned also, presenting his rear to Ralston.

King, I thought, enjoyed his speech much. When dealing with points on which there is disagreement within the cabinet he always faced the malcontents and talked directly to them. In Ralston's case, of course, it was at his back. But he caught Angus looking at him and Angus promptly raised his eyes to the ceiling. Ilsley sat motionless throughout-the mane of reddish hair seeming almost to join his coat lapel, so far down did he thrust his face. Howe scowled-unconsciously I suppose. Looked something like the Indians who used to try and frighten people by making faces at them. Cardin sat very straight and very still, bolt upright, and yet I don't think he moved a muscle throughout the hour: pale, waxen, like a figure in Madame Tussaud's.

After the speech Ralston deliberately engaged King in conversation and they had a downright row-hands going, fingers wagging, heads shaking. T.A. who sits t'other side of King told me that within the limits of good manners he did his damnedest to hear what was said but had no luck.

After the House rose, Angus and Ilsley met in Ralston's room. I should say, of course, that Angus had phoned in the afternoon, after

cabinet, to ask for the chief's advice. He told me about the meeting on Wednesday morning when I gave him the message. Angus mad and filled with the desire to kill but with, as yet, an unshaped resolution as to when to strike. Ilsley annoyed but surprised that Ralston should still think it a matter for resignation. Ilsley has his budget and his work in Finance nearest his heart and didn't think it right that he should ditch all this over so small-although irritating-a [*point*?]. Ralston very unhappy and angry. Couldn't [*make him see*?] how great a mistake this was. The three agreed that King does not mean to have conscription. He is just stalling. He will invent endless inter-mediate steps. In short, he is hopeless.

Angus had reason to know-I do not know how-that Howe was very angry at King's speech. But the three made no effort to sound out Howe. Angus's mind was running in this direction on Wednesday morning but it was only his own idea and I do not think he acted on it.

T.A. phoned on Wednesday morning [8 July]. He was keenly interested in the three bolters and was so fed up with Ralston that he seemed eager to hear of his resignation.

I met Angus about 11:30 and gave him the message. He agreed that the advice was sound. This could not be the cause of resignations, only the occasion. He had slept on it and talked with Old Alex [*Johnston*] and was satisfied that the confidence vote was not a sufficient cause for a break. The issue between them and King would be obscure. King would have good talking points. They would have to base their action on no confidence in Mr. King. This might be hard to substantiate etc. etc. But he was dead certain at last that the government could not survive very long-perhaps weeks, perhaps months. The showdown would come inevitably. Ralston would require more men and demand conscription the moment the voluntary system failed, or Howe or Gardiner refused to face real selective service (this is a new line to me). King would fence. He would promise to make a speech. Then he would urge them to wait another month to see if there would be a change. They would have him properly in the sights on this manpower issue and, all things considered, that [*would be the time*?] to pull the trigger. Ralston showed up at Wednesday's [*meeting of the war committee of the*] cabinet - not forgetting his positive statement that he would not stay-as sweet and as smooth as honey. He remarked casually that he would be calling up 20,000 men in Sept (on top of 25,000 in August and 15,000 in July) and wanted cabinet authority to send raw recruits to

Britain for their entire training, because he must make room in our training camps for the new trainees. Why the rush? Did he think the manpower pool could stand the drain etc. etc.? The Col. then coolly pulled a paper from his pocket and proceeded to give them a synopsis of a special report done for him by Elliott Little, the Selective Service head, in which Little came down strongly for a big army. T.A. very riled. So much so that some of the facts escaped him but he gathered that Little proceeded on a purely arbitrary basis by taking total estimated manpower in agriculture and civilian services and deducting one third as the total that can be safely diverted to war. This is the system followed by the Toronto group who did the manpower report last October. That report was completely discredited in cabinet. T.A. and Howe demanded copies of Little's report and stood the matter over until they have obtained and read it. Ralston seemed to enjoy all this.

Howe, also, was in fairish humor. Mentioned to T.A. that he had been having trouble with Ralston about the function of procurement at Washington-a fight between Howe's men and Ralston's-Victor was in the middle of this. The argument was that the army and navy ran things at Washington and therefore our counter-numbers could do better getting things than Howe's business moguls. Howe was delighted to see in the press that Donald Nelson had been put in charge-over the heads of the warriors. That would put the kibosh on Ralston.

Herbie Symington turned up. He had been talking with Howe and was going back to see him again. Herbie was incensed at King and disliked the confidence vote. Why the hell did King have to do that?

He then told me this story. Howe had had a serious run-in with King and would never trust him again. Prior to June 10, when King made his first speech Howe got the idea of calling the Ontario ministers together to discuss the policy on conscription. If they could agree, he proposed to draft their advice in the form of a memo and turn it in to King. They met and agreed that there should be no second debate, no return to parliament. Howe had just finished the memo when he received an urgent summons from King. He found King in a very ugly mood. King had heard about the meeting and resented it. Since when did Howe consider that he had a right to summon cabinet ministers to confer on policy? Who was the prime minister of this country? Was it his job that Howe wanted? If so, why not come out and say so and not hold hole-and-corner meetings of this kind-obviously for the purpose of undermining the prime minister.

Howe very promptly lost his temper. He replied that there was nothing hole-and-corner about the meeting. He had intended to put their views in a memo-in fact had done so-and give it to Mr. King. He now did so. If Mr. King thought he could dish out that kind of treatment to him, he was mistaken. King could have his resignation any time etc. etc.

King cooled off a little but they parted without regret. Then King read the memo, called him back, apologized, said the memo had been most helpful. He agreed absolutely. There must not be two debates etc. etc. Howe was mollified but missed Tuesday's cabinet meeting and was dumbfounded when King announced the vote of confidence return on Tuesday night. He told Herbie that it was very hard to go on with the job, knowing that one was associated with a prime minister who was a liar, who did not keep his word and so on. Herbie asked him if he proposed to do anything about it. Howe said he had thought about it most of Tuesday night. He could not see any-body else for the job. Herbie asked him if he would take a shot at it. He said he had considered this but realized that he had none of the talents required. He was a businessman without training or aptitude for politics. He had decided to sit tight and do his own job. He felt that was all that mattered to him. If and when a successor appeared, he would be ready to pay King back for the double-cross. I have been wondering if Angus and Ralston, had they known of Howe's position, would have acted differently.

Talked with Herbie about what the steel controllers had been telling me re shortage of steel. The controllers were playing bridge next door and I went in late for sandwiches. They began denouncing Howe who, they said, never consulted them and paid no attention to their memos. All Howe was interested in was getting orders. When Britain or Washington asked him if we could make so and so, he said sure and launched a new industry.

Our steel supplies, they said, would be cut in two by the middle of 1943 for the following reasons: 50 per cent of iron ore used by Canadian mills came from Duluth and was being diverted to the U.S. because they needed it and believed they could use the steel more efficiently than we do. Our scrap supply will fade out by next spring. The scrap supplies on the prairies have been vastly overrated. We would arrive at the elimination of fences and gates by October and by April 1943 we would have to use synthetic scrap, the product of inferior ore. By and large our available supply of steel would be cut in two and the quality would be much lower. They doubted if it would be worth putting wheels on much

of the stuff. They argued that we should not object to this, since it meant that the U.S. would be going to town. The U.S. industries were far larger and more efficient than ours. There was no answer to the problem.

Herbie denied all this in toto. As a member of the U.S.-Canadian raw material board he would be the first to know of any cut in ore or imports: There had never been a suggestion of this. Indeed, we could get more ore if we had the plant to handle it. The only change impending was that the South American ore hauled to Dosco [*Dominion Iron and Steel Company*] would stop, owing to shipping shortage. This was 50,000 tons per year but would be made good by additional imports of ore from the U.S. and Newfoundland. He says he is beginning to suspect some of these controllers of acting in what they regard as their post-war interests. They are terrified of over-production, excess plant and domestic competition.

An hour this afternoon with James Garfield Gardiner. A very obscure man in conversation. He has regained King's ear. King, he says, has told him that he intended to have a showdown with Angus and Ralston. They must eat dirt or quit. Present situation could not continue.

Jimmy's position: Angus and Ralston quitting won't cut any ice in the country. He is absolutely and immoveably opposed to conscription. He has told King that if the government ever introduces overseas conscription he will oppose it in parliament. But, he favors an army of 750,000 in three years and of 1,000,000 in five years. He insists that we can raise a larger army by voluntary methods than by conscription and that the above calculation is well within the limits of voluntaryism. Voluntaryism will outdo conscription because men will volunteer who would never be removed from key positions under the compulsory system. "But suppose, Mr. Gardiner, that the voluntary system fails to produce the men you concede can be put into uniform. What would you do then?"

"It will not fail." He holds, contrariwise, that Ralston's original estimate as approved by cabinet that the armed services were to number 610,000 by March 31, 1943 is binding. Provided this number of men is delivered, Ralston cannot say one word of criticism.

40. Letter from J.W. Dafoe to Grant Dexter, 11 July 1942 [DP, QUA].

During the debate on the measure amending the National Mobilization Act at least two members of the C.C.F. party took strong ground against the Government applying conscription without getting the formal approval of the House. I am pretty sure Coldwell spoke in this sense and as well at least one member of the party; I think he was Mr. Gillis. There may have been others. This, of course, was part of the tactics of the C.C.F. in building up a case for a later appeal to the electors in Quebec who might bolt from the Liberal party out of resentment at the course taken by Mr. King. They are doubtless aware of the pressure which has been put upon Mr. King, and which has had results, to have a second vote, and on the chance that the demand would not be met they created this record showing that they were heartily in favor of what they called "a democratic method" in order that they might make one more addition to the appeal which they can make to the Quebec electors.

It is all very slick and also somewhat transparent. I think if you get a record of these [statements] it might be advisable to give them publicity. You can either write a brief signed article from Ottawa or you can send me a memorandum and I will work it into an editorial.

We are discussing on Monday morning the matter of the vote of confidence which Mr. King is going to ask for in the event of conscription being adopted. We are taking the position that it is a matter of procedure and of no great consequence, but at the same time rather indicating that in its net results it may do more harm than good.

41. 15 July 1942 [DP, QUA].

[Information in the following memorandum came from Victor Sifton, T.A. Crerar, C.G. Power, and Alex Johnston. Victor Sifton resigned as master general of the ord-nance on 30 June 1942. Ralston and Mackenzie King tried to persuade him to stay on as deputy minister of the Department of National Defence. In Ralston's presence King asked Sifton if he had any policy differences with his minister. Sifton said he did: he thought the army was too large and that Canada was undertaking too much. After further consideration he declined the offer. Two years later, in March 1944, when King seconded Ralston's efforts to persuade Victor Sifton to accept the post of adjutant general, Sifton told King he had left the service earlier in the war because the "brass hats were determined not to have any civilian come in and be given a real place." (Pickersgill, *King Record*, pp. 438-9, 656-7.) What Howe said to Symington is reported in the memorandum of 9 July 1942.]

Victor blew in Tuesday noon and we had covered a good deal of ground before I left him at 6 p.m. I have a note from him written from the Chateau in evening giving the gist of later conversations, up to but excluding his talk with Ralston re the deputy ministership of the National Defence Department.

He will be reporting to you direct but just to follow up and per-haps in some doubt as to his thoroughness in this line, I want to keep the continuity of the story unbroken.

T.A. sick in bed at home. Been laid up two days. Spent part of the time stretched out with a sheet over him and his legs, from mid-way down from the knees, exposed. I had not noticed previously
how much he is showing the strain of these past few months. He had eaten something which had disagreed with him, sort of poisoned him. He wasn't sure but suspected a fish cocktail with which he had been confronted at the state dinner to the King of Greece. T.A. is rather hostile to royalty on principle, and I gathered that his sickness was a debit item against crowned heads in general.

He definitely is not as anxious about the cabinet as he was two weeks ago. His feeling is that a difficult corner has been turned-on two wheels-but turned without an upset and no equally dangerous corner is yet in sight. He knew about Howe's collision with the prime minister and he has been seeing a good deal of C.D. on the golf course and elsewhere. Judging by Howe's conversation there is no abiding dislike for the P.M. Howe is concerned with staying in his portfolio and doing his job. In this, of course, there is a conflict of view-having regard to what Howe said last week to Herbie.

T.A. is certain that Howe cannot find common ground with Ralston. They disagree fundamentally and are bound to have a showdown. Thus there can hardly be a concerted attack on King. The elements in the cabinet who, together, could upset King are in disagreement among themselves. The last corner was extremely dangerous because conceivably it offered the widest field of agreement among these people.

Howe is being bombarded by industrialists who are falling behind on war contracts because of lack of workers. He feels that the time has come when he must fight Ralston. The raising of the age limit [for conscription for home defence] from.35 to 40 hit war industry heavily, also mining.

Howe has put before cabinet a memorandum on manpower which bars the path to Ralston and must bring the showdown. King is nervous about the row and has spoken to TA. about it. King says that the

cabinet, must finish the session before getting into the manpower crisis and no doubt King will have his way. The memo was to come up for discussion today and T.A. was eager for the battle. Unfortunately he is still too ill to get out of bed. I'll advise what happened later on, but my guess is that discussion was postponed until after the session.

I popped across the street to see Old Alex [Johnston], who was sunning himself on the front porch. He finds no frustration in retirement.

Alex is determined to push conscription to the breaking point as rapidly as possible. He is all for the crisis, provided his precious chick Angus does not become isolated. About all he wanted to discuss was what a rotter King is. But he did have one interesting bit of gossip re Cardin. Alex had foregathered with the chief justice [Sir Lyman Duff] on Saturday night, and old Duff said that on the preceding Friday King had driven him home from the Country Club. King had discussed Cardin and his hopes, which are very real, of getting Cardin back into the government. King could see no obstacles now that the second reading of Bill 80 was over.

... He [*Johnston*] is deeply alarmed and argues that, whether or no Cardin comes back, the very willingness of King to take him back is positive proof of the P.M.'s unalterable opposition to conscription. Alex has pumped this into Angus, Ralston and Ilsley. He said they would be prepared to quit if Cardin returned.

Back down town with Victor and a few minutes with Chubby-but not long enough to discuss the cabinet troubles. Chubby said that he was informed that he could be re-elected in his own seat, even though the people were opposed to conscription. But he believed the Quebec situation generally to be very bad.

He psychoanalysed Cardin as follows:

The greatest ambition of a French Canadian is not to be prime minister of Canada but to be the leader of his own people, the wearer of Laurier's mantle. The first direct evidence that Cardin cherished this ambition was when Lapointe died. Previously Cardin had never been very talkative in cabinet; had never tried to throw his weight about; had apparently been content to be the Quebec fixer for Lapointe and the party. He had, in fact, been very ill and not at Ottawa at all for some months.

At the very time when they were pondering whether he should be asked to be a pallbearer, Cardin turned up and at once revealed himself as a new and different person. He insisted on being a pall bearer and by his actions he proclaimed his belief that he was Lapointe's successor.

He began making long and boring speeches in cabinet-”my people” this and “my people” the other. From that time, also, dates the animosity to Godbout whom he regarded as a competitor, to be destroyed at any cost.

Cardin, said Chubby, is obsessed with this idea. That is all he thinks about. Indeed, Cardin was determined to vote against the bud-get and changed his mind at the last moment because twenty to twenty-five Liberal Quebeckers were going to support the budget and by switching the fourteen or fifteen chaps who acknowledge his leadership he could maintain a front of solidarity to his leadership.

It is a profound mistake, says Chubby, to think that Cardin is personally concerned about conscription or any other issue. He does not care what happens so long as he is the acknowledged leader of Quebec. Under these circumstances it is silly to think that he would return to the cabinet, unless all the Quebec Liberals returned. And it is equally silly to try to deal with him. There is no rational basis for a deal.

Chubby’s bet is that the government cannot survive two months. But we did not talk long enough to get into detail-how the break will come, who would have the succession etc. etc. He was full of the new plan for routing planes to Russia and Europe via Winnipeg and thence either to Regina, Edmonton, Alaska and so on or The Pas, Churchill, Greenland etc. etc. A much better route than the Atlantic route, although that will be used also, and feasible for fighter as well as long-range craft. Longest water hop is 278 miles.

42. Letter from J.W. Dafoe to T.A. Crerar, 14 July 1942 [Dafoe Papers, NAC].

Since Mr. King made his speech on July 7th and while awaiting a resumption of the wrangle in the House, I have been doing a good deal of thinking about the situation and the more I look at it the less I like it. I have been inclined to put some views into an editorial arti-cle, but as I do not want to rock the boat I thought I might try them on you meanwhile.

I had a talk with Mr. King just before I left Ottawa. He was very insistent that Parliament must have an opportunity of approving or condemning and I did not combat the proposition though as you know I have felt that it would be well if the matter could be settled once for all by the passage of the pending legislation. Mr. King gave some reasons

for having a vote of confidence which I thought had some validity.

The proposition to which he is now committed has special weaknesses and dangers as he will perhaps realize as the discussion in the House and elsewhere proceeds. One of its vulnerable points is that Parliament is not asked to vote confidence or non-confidence on a fully completed act by the Government. Parliament is asked, before a decision reached by the Government is irrevocably acted upon, to agree or disapprove; the vote of confidence thus becomes a consent to a pending policy and is akin to legislation. This is something more than a technical point. There will be those who will say that this is a re-submission of the issue to Parliament by subterfuge. I inferred, mistakenly As it now appears, that Parliament was to be asked for a vote of confidence on a complete and irrevocable policy.

I think the case for the innovation would have been much stronger if Mr. King had waited for demands for it from members of the regular oppositions. They would, I think, have been forthcoming but now I imagine that his proposition will be derided and denounced on all sides. I have been told that the French voters did not want another vote. Mr. King may find himself virtually alone in insisting that Parliament must share responsibility. I think the benefits of the proposition are more than offset by its disadvantages. If there is to be a discussion, even under closure, and a division the question nothwithstanding the vote on the present legislation will have an appearance of being still open. Members will be figuring out their speeches and the public will look forward to the encounter. It will be much better to have it dropped out of the public mind so far as parliamentary business is concerned.

But if there were substantial demands in the House, the case for it would be established in my mind, though even then the House should not be called upon to pass a vote on uncompleted business. If there is no such demand I should say that Mr. King ought to seek a way out of his commitments. He can accomplish this quite readily, it seems to me. Let him say that if the Government has to act in the recess it will call Parliament upon certain conditions: Say that one-tenth of the members make a demand for a meeting to consider the Government's action; or it might be put up to two out of the three opposition leaders. I do not believe the demand would be made. This, of course, leaves a vote of confidence aside and makes provision only for non-confidence. If Parliament were sitting nothing need be done.

I wonder if Mr. King has considered the possibilities of mischief that might exist in the procedure. Theoretically, all the oppositions-there are five as I count them-could gang up against the Government. This, of course, on this issue is not likely to happen but the possibility is there just the same.

I am sending a carbon of this to Grant. He will give me your reaction to it.

43. 17 July 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar. The letter that Dexter took to Crerar was a copy of the letter of 14 July 1942 sent by Dafoe to Crerar. (Dafoe papers, NAC.) Crerar's memory of his response to the results of the plebiscite was not entirely accurate. He had initially proposed to repeal section 3 of the NRMA Act, but not to impose conscription until the voluntary system failed. (telegram from Dexter to Ferguson, 1 May 1942, Dexter Papers, QUA.) By 6 May, however, he had supplemented this compromise by agreeing that the government should return to parliament for a vote of confidence after deciding to impose conscription. (See supra, memorandum of 7 May 1942, DP, QUA.) Ernest Bertrand and Thomas Vien were Liberal MPs for the Montreal ridings of Laurier and Outremont respectively. J.A. Bradette and J.R. Hurtibise represented the northern Ontario constituencies of Temiskaming North and Nipissing.]

I took the letter out to T.A. yesterday. He is still in bed: in fact had had a relapse and called the doctor. He read it carefully and commented at length.

What led King to adopt this course:

1. T.A. believes that he, himself, is the author of the formula. The day after the plebiscite, King called him over and asked him what he thought the government should do. T.A. replied that he did not think it possible to do nothing. The criticism would be too general. The government would be accused and justly of dawdling and dodging. He could see the difficulty of Quebec and if it would help, he thought the government might amend the [*National Resources*] Mobilization Act, take the power to impose overseas conscription, reach its decision but return to parliament for a vote of confidence before applying it. The decision need not be taken until the voluntary system failed.

King had been non-committal. There was a "good deal of merit" in the idea. King apparently had in mind postponing action until the need arose. T.A. thought this course impracticable and King did not press the discussion.

2. King brought the matter to council. Cardin was still in and at once took a strong stand on the line that the plebiscite was merely an

expresssion of opinion and that nothing need be done until the time came. Michaud and St. Laurent strongly supported him.

3. As the breach widened between the Quebeckers and the conscriptionists, King seemed to move closer to St. Laurent. St. Laurent continued to insist on a return to parliament, but said that he was prepared to compromise. He would be content to have the govern-ment make its decision ("cast the die" was his phrase) if the cabinet would agree to give parliament a chance to turn the government out before the policy was enforced. St. Laurent believed he could hold a substantial number of French Canadians on this line - such as Bertrand and Vien - and particularly the French Canadians from the English-speaking provinces-chaps like Bradette, Hurtubise etc. These men would be a steadying factor on Quebec. T.A at once supported St. Laurent as did King on the ground that this would prevent a clear break and give King and St. Laurent a chance to win Quebec over (the job having been completely muffed previously).

4. At this time, T.A. believes King and St. Laurent made a hard and fast deal along this line. They also began their campaign in Quebec which has been reasonably successful.

5. There never has been and is not now any doubt in T.A.'s mind as to King's sincerity. He believes that King means to bring in conscription.

6. Cardin resigned, thereby making it impossible for King to let down St. Laurent, unless he was prepared for a clean break with Quebec.

7. T.A. believes that King has never had but one point in his mind. He is determined to bring in conscription without losing Quebec-without forfeiting national unity. He thinks this has become the great ambition of King's life. But he also believes that while King knows clearly what he is trying to do, he has never had a definite plan as to how to do it. His policy has been pure day-to-day improvisation.

Except on the basis that Quebec can be kept from breaking with the result of the country, it is impossible to justify the present policy. Indeed, only in this connection does it make any sense. T.A. agrees that this is so.

The demands in the house for a return to parliament came after the policy was adopted. I will do a memo on this and mail.

As to Mr. King seeking a way out of his commitments, T.A. points out that this is only possible if you are prepared to break with Quebec. St. Laurent and Michaud would resign and Quebec would

be united in opposition. Nor is the formula of a tenth of members satisfactory to St. Laurent. It is true, says T.A., that many Quebeckers say they are opposed to a return to parliament but they will be found to belong to one of two groups. They are either anti-conscriptionists who do not desire King and St. Laurent to succeed, or they are conscriptionists and don't give a damn about what happens. St. Laurent's line is that the return to parliament gives all his crowd the chance to defend the government in Quebec and prevent Cardin from getting the real leadership of his people. They can say that before conscription comes they will have a chance to vote the government out, that there can be nothing secret about it.

As for my opinion, I think everything turns on the extent to which you are prepared to compromise on behalf of Quebec. I believe in St. Laurent's sincerity and I believe national unity is still okeh. At least 40 of the Quebeckers are still solidly with the govern-ment. I am not as sure of King as Mr. Crerar is. He would put it that Mr. King is determined to have conscription and if possible to have it with national unity. I think he is determined to have national unity, if possible with conscription. But I would like King to have more rope and see how the thing works out. ...

44. 19 July 1942 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and Louis St. Laurent. The letter that Dexter discussed with Crerar was that of 17 July 1942 in which Dafoe suggested to Dexter, "You might try now to find out what is the particular virtue in the King-St. Laurent formula of the understanding that the order-in-council must not be completed before the vote in Parliament." (Dafoe papers, NAC.) Ralston's figures for recruiting in April and May are reasonably correct, but those for June are not. In fact, the correct numbers for June are 11,259, and for July, 13,720. (Stacey, Six Years of War, p. 526.) On 4 June 1942 Chief Justice Duff pre-sented the report of his inquiry into the disastrous Canadian expedition to Hong Kong. Though Mackenzie King rejoiced that the report gave the government a clean bill of health, Dexter reported that many people regarded it as a whitewash. (Pickersgill, King, p. 403; Free Press, 18 July 1942.) It was not surprising that Ralston was anxious about a matter that was soon to be debated in the House of Commons. Charles Camsell was deputy minister of mines and resources.]

I discussed your letter of July 17 with TA. and I had a rather casual conversation with St. Laurent (to be supplemented by a real chat tomorrow morning) which surprised me.

I do not think there is any explanation for the King formula except his deal with St. Laurent and his idea of maintaining national unity. As between a return to parliament before the order is signed or after it is

completed, T.A. is indifferent. He sees very little in it one way or the other. He accepted King's formula because he felt it was helpful in Quebec.

Had a word with St. Laurent and asked him if he was "set" on this particular method. Recalled to him our conversation in which he had used the phrase "cast the die". He had then said that he doesn't mind if the order-in-council was approved (that is, the die was cast) provided there was a return to parliament before it was acted upon.

Would it make any great difference to him if the return [*to parliament*] came after the order had been signed and not, as King has put it, between the time council approves and the governor general signs. He said he would prefer the return before the governor signed, but he would not resign if the other formula were adopted instead. This surprised me very much.

Personally, the only virtue I ever saw in the formula was the holding of St. Laurent. If he doesn't care, I can see no virtue in it at all. I agree with you that a policy of return after the completed act [*of passing and signing the order-in-council*] is much more defensible.
T.A. back at his desk, looking a bit wan and tending to be discouraged and downhearted. There is, I gather, a clean break between him and Angus so far as the situation is concerned. They are the best of friends but don't discuss politics.

On Friday, King opened the manpower battle in cabinet. He called on Ralston, Angus, Chubby, Howe, Gardiner and Mitchell for statements as to their requirements and how they might be met. Ralston said that recruiting in June fell to 6,500 (against 12,000 in both April and May) and that he was being cramped by lack of men. He must have more men and he thought the time had come to apply conscription for overseas service. What about July? Well, recruiting was only slightly better than in June. Howe opposed Ralston. T.A. was absent but Camsell delivered a statement on mines: production suffering because of lack of manpower. Mitchell spoke briefly and introduced Elliott Little who said that we were at the end of our surplus and hereafter manpower could only be made available by transfers from unessential industry. This would require much more regimentation-control and direction-and these powers, now held largely by [*the Department of National*] War Services, should be centralized.

Somebody asked Ilsley if he had any comment. He said that the budget was full of trouble. The small man complaining bitterly for

the first time. Savings are falling off and the bond committee report prospects for victory loan not good. In addition all the estimates of war expenditure were proving seriously too low. This was particularly true of National Defence (Victor will be interested) but worst of all is the aid to Britain. The billion-dollar gift will not begin to cover actual shipments. He will require, perhaps, two billion. This was all enheartening from the viewpoint of the war effort, but hell on the minister of finance. Somebody asked him if he had calculated the effect of closing down private business to release manpower. He hadn't but realized that this would cut down revenues and make the problem more intractable.

Howe was very favorable to unified control by [the Department of] Labor, under Elliott Little. But Little apparently pointed out that the problem of control and regimentation was absolutely insoluble if other departments of the government were permitted to dip into the pool and lift thousands of men per month without an if or by your leave. He referred here to voluntary enlistments and the calls for trainees which this month will run over 1,000 men per day. The matter was shuffled off to a sub-committee for further inquiry and report. Mitchell is the chairman.

This might have been thought to settle the matter but at today's cabinet Ralston returned to the charge, more insistent than before. He was short of recruits and must have action.

T.A. believes Ralston and Angus may have a deal to force the decision before parliament rises and, if possible, before Bill 80 passes. They may have agreed to insist upon turning it into an active conscription law. I am to try and find out when Angus returns tomorrow. Ralston, at lunch with T.A. and Howe, was very uneasy about Hong Kong. T.A. pointed out sympathetically that this was not an attack on the government - for a change - but rather an attack on the generals. Ralston agreed-wrily.

TA. thinks Ralston may want to force conscription as a smoke-screen for Hong Kong and, as it now stands, Bill 80 has the right-of-way. The Tories, says T.A., will drop Hong Kong if they can smother the government on Bill 80. He wonders if it is too late to switch the order of business and bring on Hong Kong first.

45. 21 July 1942 [DP, QUA].
[Information in the following memorandum came from Louis St. Laurent, Angus Macdonald, and Graham Towers. Prime Minister King's version of the telephone conversation with Ralston is found in Pickersgill, King, pp. 396-7. Enlistments in the spring and summer of 1942 were running approximately at the rate of 12,000 per month, a figure far less than 1,000 men per day, but it seems that 1000 men per day were called, as Graham Towers claimed. (See memorandum of 19th July 1942, and Stacey, Six Years of War, p. 526.)]

St. Laurent: He felt that he had achieved more than he had thought possible three months ago. Most of the Quebec members were solidly with the government despite their vote against Bill 80. The extremists had not gained any strength; in fact they had lost ground. The bulk of the members had discovered that they could continue to support the government with the wholehearted approval of their electorate. Certainly as matters stood Quebec did not want to destroy the King government.

He could see no alternative to King. If King went out, Quebec would be lost irretrievably. And provided that the need for conscription could be reasonably proved, Quebec would accept it under King. The members would vote against but would then support the law and would not lose face with their constituencies. His anxiety is lest Ralston force the pace unreasonably. He seemed bent on doing so. St. Laurent felt sure King would resist such tactics even though it brought the government down. He cannot see any distance into the future but is hoping for the best. To lose all now would be a terrible disappointment.

Angus: He had been unable to be completely frank in the past ten days because of Ralston. He had known his own mind ever since the exchange of views with you. He had come to the conclusion, definitely, that the return to parliament, however objectionable, was not in itself sufficiently important to resign on and therefore he had been ready and desirous of staying on until the real showdown came. Ralston, however, could not bring himself to a definite decision and as he would never desert Ralston he had not been clear in his mind what was going to happen or what he would have to do. Hence the absence of clarity in his position.

The Ralston situation, however, had now cleared up and he [*Angus*] felt certain that the danger of a break-up had disappeared until such time as the manpower crisis was reached. This would depend to some extent on Ralston and he agreed that Ralston was forcing the pace by every possible means. It might be within a few weeks-if, say, recruiting

fell away seriously - or a few months. His judgment is that it cannot become critical for six months. Certainly Ralston is ready to agree to an adjournment for six months which would disperse parliament until next January.

Ralston, he said, had been unable to bring himself to accept King's speeches on Bill 80. He had written out his resignation three times. True, he had signed none of the letters but had taken them each time to King who had talked him out of quitting. Then last Thursday [in fact, on 8 July], Ralston had felt that he could not go on. He could not attend war committee of cabinet because he did not agree with the government's policy and by attending cabinet he was committing himself. He phoned Angus who went across to his office and tried to reason "with the poor fellow". He wasn't up to resignation and he wasn't up to attending cabinet. If he stayed in his office the staff would become curious and stories would get about. He couldn't run away. It would have to be faced upon his return. And so on. "Ralston is a very curious fellow", Angus remarked.

Anyhow, Angus persuaded Ralston that there wasn't any use in sitting on his beam's end in his office and harassing himself. He had better telephone the prime minister and tell him of his difficulty. Better still he should decide either to resign or to carry on. Angus' advice was to carry on.

Ralston telephoned King who sympathized with him and suggested that, since King had made a declaration of personal conviction in the closing speech on Bill 80, Ralston might claim to be free from cabinet responsibility in respect of overseas conscription policy. Ralston talked this over with Angus and was greatly relieved. The idea appealed to him. Angus, however, pointed out that it was darn little use having a telephone conversation and then saying you were free of cabinet responsibility. If Ralston thought there was merit in this idea, at the very least he should have a letter from King. Ralston phoned back and asked for the statement in writing and King dashed off a letter saying that Ralston was entirely free of responsibility in this connection etc. etc., sent it across by special messenger and Ralston then went to war cabinet-feeling fine. His idea is that at a later date he can produce the letter to prove that he disagreed all along.

Angus says that this business makes no sense to him but since it seems to have been a great comfort to Ralston, he did not object. He thinks Ralston will go ahead now without further wobbling. For these reasons Angus think the crisis is over for the moment.

Graham Towers: greatly concerned over manpower. He cannot understand why the government does not coordinate and centralize manpower control so that selective service can really be made effective. He has great sympathy for Little whose job is made impossible by recruiting and conscription for home service and the reserve army. How can the selective service system operate when upwards of 1,000 men per day disappear into the army without an if or by your leave to the selective service authorities. They may think that everything is fixed and tidy today, but tomorrow there will be a thousand vacancies, of which they have had no warning whatever. Moreover, of what real use, in the army, can the 35-to 40-year olds be? These men are very valuable in war industry. He is convinced that war production and the production of copper, nickel, zinc etc. is being seriously reduced because of lack of manpower. The situation cannot drift much further without a breakdown. He knew nothing about the cabinet difficulties and I didn't mention them. Very pleased with Ilsley. ...

46. Letter from Grant Dexter to G. V Ferguson, 2 August 1942, [DP, QUA].

... I'll start my holidays tomorrow and most gratefully. I have never felt at a lower ebb and the reason, I think, is that the damn crisis left me without any nervous energy. This business of being the flying scout for you and the chief in times like those we have been going through is a strain. ...

If the lid stays on the pot I will stay away up to three weeks (unless you recall me) and come back full of pep. I don't imagine we will ever again have such a cat-and-mouse business as with Bill 80. If the show blows up, it will blow quickly.

I've had a sense of falling down on the job since mid-July and want you to make some allowances for me. I took this show too seriously and yet, if I had made a bad mistake, we might have blown the lid off and you and the chief would never ever have forgiven me. If the chief had not put the brakes on Angus, this story would have had a different and tragic ending.

CHAPTER V

MANPOWER PROBLEMS, AUGUST 1942 TO MAY 1943

Between August 1942 and May 1943, Dexter again leaves war reporting to those better placed. He reported on the Ottawa scene. However, the government in Ottawa was influenced profoundly by the course of the war, in which the Allied Powers began to take the offensive.

In May an American victory in the battle of the Coral Sea halted the Japanese advance on Australia; and a month later American air-men beat back a Japanese naval force intent on capturing Midway Island and moving against Hawaii. In August American marines, landing on Guadalcanal in the Solomon Islands, began the long process of recapturing strategic points from the Japanese. In November the British Eighth Army under Montgomery defeated Rommel's Afrika Corps at Alamein, securing Egypt and beginning an advance that ended in Italy. Three days after Alamein a large Anglo-American force under General Eisenhower landed in Algeria and Morocco, and pushed east to link up with the British Army in Tunis. Most important, the Russians ended the German invasion in November at Stalingrad, where three months later the German Sixth Army was surrounded and destroyed.

Meanwhile, strategic planning advanced rapidly. At Casablanca in January 1943, Churchill and Roosevelt with their military advisers agreed to invade Sicily once the North African campaign was concluded. They furthermore decided to launch a combined bomber offensive against Germany before the final onslaught, and to intensify the anti-submarine campaign aimed at clearing the Atlantic to allow the vast movement of troops and munitions required for the invasion of western Europe.

The results of the Allied plans were mixed. The last Axis troops in North Africa surrendered in May 1943, and Allied forces overran Sicily

in July. The anti-submarine campaign had also been success-ful in reducing Allied shipping losses, and the Battle of the Atlantic was largely won by mid-1943. Less successful was the bomber offensive. Allied bombs inflicted great damage on German cities but had little effect on German war production or morale.

As a small power among the Allies, Canada did not share in high-level strategic planning, and as Dexter's memorandum of 5 April 1943 makes plain, Canada had great difficulty in obtaining representation on any of the combined war boards or on the United Nations Relief and Rehabilitation Administration. Moreover, the Canadian Army, with one exception, remained out of action until the summer of 1943. The exception was the disastrous operation of 18 August 1942 when 5000 Canadian troops, without sufficient air and naval support, were involved in a raid on Dieppe, a fortified town on the French coast. The Canadians suffered heavy losses at Dieppe, but General McNaughton's insistence that the Canadian army be preserved intact for the final assault on Germany kept the Canadians out of action until July 1943 when one Canadian infantry division and one tank brigade were included in the invasion of Sicily.

Notwithstanding the inactivity of the Canadian army between August 1942 and August 1943, the predominant concern expressed in Dexter's memoranda was over manpower, and his main fear was a manpower "crisis." As early as 15 September 1942, Arthur MacNamara, associate deputy minister of labour, whom Dexter described as "easily the coolest-headed and most practical man I've met around here for weeks", predicted that the crisis "is about five months away."[1] In his memorandum of 23 October, Dexter reported that T.A. Crerar declared that "the breakdown can scarcely be postponed beyond Feb or March." On 3 January 1943, he noted that the movement of farmers into industry and coal mines during the winter had provided temporary relief, but felt that "the crisis will be back in even more unmanageable proportions next April." And in his memorandum of 10 May 1943, Dexter reported that Major General H.J. Riley, associate director of national selective service, declared that "the manpower problem had reached the crisis."

Another way of referring to the manpower crisis was to talk worriedly about the "over-extension of the war effort," though this term had a fiscal as well as a physical component. In Dexter's memorandum of 2 August 1942, Finance Minister Ilsley, Angus Macdonald, and T.A. Crerar reportedly all did it, and in his memorandum of 5 October 1942, he reported that Crerar believed that King was equally anxious on the

subject. John Deutsch and Sandy Skelton of National Selective Service also delineated the problem:

> War effort greatly over-extended because there is no co-ordination from the top. Army, air force, navy, munitions and supply, agriculture etc. making demands on manpower. Collectively these demands now exceed our manpower resources, and cabinet some time ago should have fixed definite limits to army and other competing agencies.[2]

Politicians and bureaucrats were genuinely anxious that there was or would be a shortage of manpower. Whether there was any reality to their anxiety is less clear. In comparing the mobilization of the labour force for war in June 1944, E.L.M. Burns shows that 22% were in the armed forces in the United Kingdom, 18.5% were in the forces in the United States but only 14.4% were so employed in Canada. Civilian war employment accounted for 33% of the labour force in the United Kingdom; 21% in the United States; and only 12.6% in Canada.[3] Compared to either the United States or the United Kingdom, Canada's war effort does not appear to have been excessive. And the fact that personal expenditures on consumer goods and services increased by about 35 % during the war, at a time when the Canadian population increased only about 6%, casts further doubt on claims that Canada's war effort was disproportionately large.[4]

What worried the politicians and bureaucrats with whom Dexter talked were the peculiarities of recruitment in the armed services. The arrangement of a dual army-one consisting of conscripted men for home defence and the other composed of volunteers for overseas service-produced a serious anomaly. Successive call-ups for home defence failed to produce the numbers needed for that purpose because a large proportion of those called up decided to volunteer for overseas service, and the result of this enlistment pattern was that the minister of national defence could not get enough men for the three divisions stationed in Canada, while more men volunteered for overseas service than were required. In a story for the Free Press on 9 November 1942, Dexter estimated that Colonel Ralston would get about "130,000 this fiscal year instead of the 90,000 or 100,000 he requires." And indeed his estimate was very close to accurate.[5]

This surplus of volunteers and shortage of NRMA conscripts for home defence alarmed many people because it implied that there would be no limit to the size of the overseas army: the more con scripts that were called, the more volunteers there would be. Among those most alarmed was T.A. Crerar. He feared that a big overseas

army would require the enforcement of Bill 80, that is, the application of conscription to overseas service, in order to keep it reinforced. Crerar felt it would be senseless to shut down three of the four tobacconist shops on Sparks Street between Elgin and Bank to secure additional manpower, or turn Timmins into a ghost town by shutting down the goldmines. At the back of his mind was an ardent desire to avoid a crisis over conscription like that during the First World War.

Other anti-conscriptionists like Prime Minister King were equally alarmed by the dangers of "over-extension," but anti-conscriptionists were not alone in viewing with alarm the peculiar results of recruiting. Sandy Skelton and John Deutsch declared "The army is wrecking the economy,"[6] and there were many who feared that war industry was suffering from a labour shortage brought on by army recruiting. Dexter reported in a story to the Free Press on 17 September 1942, that "feeling against army headquarters is extremely bitter" at the Port Hope Conference of reform-minded Conservatives. "Manufacturers", he went on to say, "named many skilled workers who had been taken out of war production and put in the army. The manufacturers had kept in touch with these men and they cited individual cases of these invaluable men being put to work in army kitchens peeling potatoes, or doing other relatively unimportant tasks." To limit this kind of damage, C.D. Howe urged that manpower in several basic industries in addition to agriculture be frozen: base metals, spruce and coal mining, for example. As well, the Wartime Prices and Trade Board also tried to limit the drain of manpower from industry to the army. Dexter reported in his memorandum of 29 October 1942, that Skelton and Deutsch claimed that Graham Towers, governor of the Bank of Canada, was also taking a lively interest in seeing that the army did not wreck the economy, keeping in close touch with his former associate, Donald Gordon, chairman of the Wartime Prices and Trade Board: "Mr. Gordon is the steam-engine but Mr. Towers is the governor. They confer on aver-age three times a day." In August 1942, the Wartime Prices and Trade Board had been given the job of closing down unessential industry and concentrating industry. Staffed by "administrators who in every case are leaders in their own industries", the Board moved very slowly, finding very little manpower and virtually no industries that were non-essential.

Between Howe, representing war industries, and the Wartime Prices and Trade Board, representing industry in general, large quantities of manpower were removed from the jurisdiction of National

Selective Service. Although the NSS was supposed to ensure the most effective utilization of manpower for the war effort, it had little power and nothing to do, so its head, Elliott Little, resigned on 18 November 1942. And yet, Major Genera] Riley, associate director of national selective service, claimed that the main problem of Selective Service was that the government had failed to make the fundamental decisions that would enable it to function:

> The government must first decide how big the army is to be. Then Selective Service will know what it has to do and the degree of invasion of war factories and agriculture that will be necessary. There are no priorities, in this sense, and therefore no yardstick for Selective Service to work with.[7]

In a sense the government had decided in January 1942 how big the overseas army was going to be by establishing five overseas divisions, and by increasing the number of home divisions from two to three in June 1942. But the number of men serving in a division was not stipulated, and the overseas divisions increased while the home divisions could not be brought up to strength. But Prime Minister King was nevertheless opposed to restricting the size of the army:

> Ralston would resign and claim that army was limited in order to save gov't from applying overseas conscription. He [*King*] has no intention of exposing himself to this attack, and his reason is that by so doing he would imperil national unity. [*Rather, his policy was*] everybody can extend the war effort as far as they like until the country rises up and co-ordinates things by demanding a roof on the army.[8]

This laissez-faire policy incited Howe and the Wartime Prices and Trade Board to try and take matters into their own hands, and rendered any policy of selective service ineffective.

Curiously, as the war effort proceeded on its uncoordinated way, the manpower crisis predicted so confidently by the coo]-headed and practical Mr. MacNamara and others failed to materialize. There were a number of reasons for this. Most important, the Canadian Army was not in action between the raid on Dieppe in August 1942 and the invasion of Sicily in July 1943: heavy casualties were the quickest route to producing heavy demands on manpower for the army. Such casualties did not occur in this period. Further, Howe, on behalf of war industry, was not making heavy demands on manpower. War contracts for bombs, guns, and shells were being cut back because both the British and the Americans had abundant supplies of these items. There were, as well, other less obvious explanations for the manpower

situation: for example, farmers worked in industry and coal mines in the winter, and moved back to the farm when spring came. Altogether, the danger of a manpower crisis was greatly exaggerated by the politicians and bureaucrats in Ottawa in late 1942 and early 1943.

Nevertheless, there were real problems in the way the system of call-ups worked, because it produced more volunteers for the over-seas army than were needed, and too few trainees were recruited for the three home defence divisions. Two of these home defence divisions were stationed in British Columbia, because of the agitation on the Pacific coast after Japan entered the war. By 1943, there was less reason for agitation because the Japanese expansion, which had been directed at the South Pacific, had been contained; and in a story in the Free Press on 20 January 1943, reviewing this situation, Dexter suggested that one division might be adequate for British Columbia now.

The manpower problem was the main, but not the only, concern of Canadian politicians in this period. There was also a revival of interest in domestic politics. This revival might be attributed to the Allied victories of 1942 and 1943, for they eased fears of ultimate defeat. Mackenzie King wrote: "While our problems are great and will be greater still, there is not the appalling anxiety which there was this time a year ago".[9] As anxiety faded, some Canadian politicians began to think about postwar reconstruction and make preparations for a postwar election.

The Conservatives, presented with a progressive platform from their party conference at Port Hope in September 1942, adopted it at a national convention in Winnipeg in December. They also changed the party name to Progressive-Conservative and chose Premier John Bracken of Manitoba, the experienced head of a Liberal-Progressive coalition government, as leader. Moving left, the Conservatives thus outflanked the Liberals and challenged the CCF for the leadership of anti-government opinion. Mackenzie King's reaction, as reported by Dexter on 3 January 1943, was ominously relaxed: He was pleased that Bracken had accepted the Conservative leadership, and he could now see himself running another general election.

The CCF, elated by gains in the provincial election in British Columbia and by victory in the South York by-election, continued to downplay their doctrinaire socialism and promoted a program of social security along the lines indicated by the reports of Lord Beveridge in Great Britain and Leonard Marsh in Canada. Yet the

CCF national leader, M.J. Coldwell, in an interview with Dexter on 1 March 1943, appeared to look forward not to victory at the polls but to a fusion with progressive elements in the Liberal party.

It was not immediately clear how the government would respond to the Beveridge and Marsh reports. In a speech to the American Federation of Labor convention in October 1942, King had promised a postwar programme of full employment and social security, but in February 1943 he told the Liberal caucus that the government would concentrate on the war effort and leave postwar issues to be tackled later.

However, the Liberal government began to concern itself with domestic politics in one area. Unlike either the Conservatives or the CCF, the attention of the Liberals was directed to Quebec. That the conscription crisis of 1942 had damaged the Liberals in Quebec was indicated by Cardin's resignation and the formation of a nationalist protest party, Le Bloc Populaire, in September. Just how far the damage had gone was difficult to determine. On this question Louis St. Laurent was more optimistic than Chubby Power, but both agreed on the urgency of filling the three Quebec vacancies in the cabinet. This was accomplished in the autumn with the appointment of Ernest Bertrand, Alphonse Fournier, and L.R. LaFleche. Unfortunately, however, the new ministers gave little promise of bringing real strength to the government, and LaFleche was so widely distrusted that Mackenzie King went out of his way to explain to J.W. Dafoe, through Dexter, why his appointment was considered necessary.

References

1 Memorandum, 15 September 1942, DP, QUA.
2 Memorandum, 29 October 1942, DP, QUA.
3 Bums, *Manpower in the Canadian Army*, p. 157.
4 Ibid., pp. I55-156.
5 The total number of enlistments in the Canadian army for 1942 is 145,429. If the NRMA component of 18,274 is subtracted, the resulting number of enlistments is 127,155. See Appendix T in Stacey, *Arms, Men and Governments*, pp. 599-600.
6 Memorandum, 29 October 1942, DP, QUA.
7 Memorandum, 23 October 1942, DP, QUA.
8 Memorandum, 29 October 1942, DP, QUA.
9 King's Diary, 31 December 1942, quoted in Pickersgill, *King Record*, p. 465.

MEMORANDA

1. 2 August 1942 [DP, QUA].
[Information in the following memorandum came from J.T. Thorson, J.L. Ilsley, Angus Macdonald, and T.A. Crerar. The headquarters of Military District 3 was in Kingston, Ontario.]

This is just a pre-holiday round-up. Much of it has been told over the telephone.

Joe Thorson-two long talks. First one on manpower. He knew that the conscriptionists and others were ganging up to take his organization off him and give it to Labor. Cabinet has appointed a six-man sub-committee with Mitchell (instead of Joe) as chairman. This sub-committee comprises Mitchell, Ralston, Howe, Joe, Gardiner and Michaud. The first three are for the transfer, the last three opposed and the question will have to go back to cabinet for decision.

Joe and his two allies are resisting the transfer because they see in this move a conscriptionist drive. There are no real arguments he says in support of the transfer. Mitchell is for complete regimentation but has no organization capable of handling the job. The result, if he wins, will be chaos. Mitchell's chief argument in cabinet is that Little will resign unless he is given complete power and a free hand. Mitchell thinks a resignation would be very damaging to himself and the government.

Joe says that King's selective service policy was pretty much show-window stuff. How could there be real selective service with recruiting running unchecked and conscription for home defence in operation? This left only a small area to Little-the transfer of men within industry, and even here his work must be constantly confused by enlistments and calls. Little has no power of compulsion. All cases requiring compulsion must be turned over to Joe. None has been turned over as yet and he didn't think any would be.

Mitchell had no organization worth mentioning for carrying out the small job given to him. The employment offices were not worth a damn. Little knew this.

Joe said that he had in his military service boards the only real national [*manpower*] organization in the country. It was fairly good and was rapidly improving. There were many complaints but not serious ones. It was true that he is only now beginning to re-check the lads who were certified as unfit by their family doctors. Doesn't know how these re-examinations are turning out because they are only just starting. There are, too, fairly wide variations in the rulings of the local boards and there

is no appeal body. The Saskatchewan board is the worst. This board refuses to carry through the order-in-council freezing farmers. It sends farm boys along with others into the army. The board in Military District 3 is the most lenient. Quebec not bad at all.

There is no appeal board because Joe thinks it would be a mistake to create one. No points of law arise, only of fact. Appeal boards cannot deal with facts and therefore the solution is gradually to change the personnel of the boards that are out of line. This being done.

If we really want to do the big thing by the army, Joe says we must let volunteering continue and call such men as are needed for home defence. As the pinch comes, we should pipe down on the home defence establishment, which would reflect itself in fewer recruits. The cries of industrialists, farmers etc., should not be completely accepted. If we do accept these cries, then there will be a shut-down on home defence, volunteering will collapse and we will have conscription-but not a big army.

The Mitchell-Little proposals, he says, are to add five or six more classes to the agricultural class. All would be frozen-exempted from call for military service. He enumerated these classes but I can't recall the lot-war industry workers, workers in base-metal mines, in lumbering, railways and one other. This would produce a manpower crisis at once-and conscription. He thinks that this is exactly what Ralston wants to do. He believes Ralston is much more interested in conscription than in the size of the army. I don't think Joe is very fair to Mitchell. T.A.'s reaction is much more sensible. ...

Ilsley: We are in very serious trouble and the root of it is the lack of coordination in our war activities. The weakness is the prime minister who is the only man who can bring about coordination but who, as far as he can see, doesn't give a damn about it. Indeed he is convinced that King likes nothing better than to have his ministers fighting among themselves.

Our policy is that anything that is physically possible is financially possible. He is convinced, however, that we are greatly over-extended. We have committed outselves to a war programme which we lack manpower to carry through. The estimates were wrong by hundreds of millions of dollars with the result that he has been driven to the first serious dose of outright inflation. Had he known about it, he might have ordered things differently. The army estimates were far below what they ought to have been. Howe's estimates on aid to Britain and other allies

were only about 60 per cent of the real sum. He figures our own estimates are short by about 600 millions, of which the army is the largest item. Aid to the allies will run to $1,750 millions instead of a billion. We are launching new and unforeseen projects every day-$10 millions for chemical war-fare, new air bases at The Pas and elsewhere, military roads, great military camps, new factories, larger army, huge additional orders for munitions. He is convinced that we have not got the manpower to carry all these things through. We will fall down, operate on part-time etc. etc.

He had talked about this in cabinet until he was black in the face and without making a dint on anybody. The different ministers were hell-bent on their own business and mindless of the set-up as a whole. He thought that on average he had made a half-hour talk in cabinet on the need for over-all coordination once a week for the past six months. He had got to be a great bore to everybody. When he begins, he says, King turns a glassy eye on him as to say-My God must we listen to this all over again-folds his hands and shuts his eyes. When he has finished, King rouses himself, smiles sweetly and says-”Now gentlemen to get down to business.”

When Ilsley thinks back over the record, he says it makes him so damn mad he could chew the upholstery off the Privy Council chairs. He got the War Requirements Board set up under H.R. MacMillan, but Howe blew that up. Then he got a war economics committee under Clark, but it could not make headway against departments whose ministers were antagonistic and it blew up. Now there is nothing and no chance of anything so far as he can see.

You can spend hundreds of millions on new ventures and yet when it comes to operation find yourself unable to carry through. You can spend the money, but won’t get the results and you may
bust yourself in the process. He figures the domestic budget at around $4,500 millions and then there is the aid to Britain. In the result, he has arranged to borrow from the banks 500 millions at 3/4 of 1 per cent-clear inflation, and unless the victory loans achieve the impossible, he will have to plunge more deeply. He is thoroughly discouraged.

So far as the crisis goes, he thinks there will be no more trouble unless King tries to pull off a second conscription debate on the vote of confidence. If he tries this, he says that Ralston, Angus and him self will quit. Otherwise he does not see any combination against King, although he says he is surprised at the rate at which King is accumulating enemies.

Ilsley definitely dislikes King. I asked him what he thought of Ralston and he surprised me by saying that he was a great pleader and that any lawyer would admire him as such. He thinks Angus is grand. Ilsley said that he has a contempt for acting, dissembling. He can't acquit Ralston of doing this. But King is much worse. He told me this story about King.

A delegation came to Ottawa from Montreal before the war to complain about the circulation of obscene literature. There were preachers, social workers, school teachers etc. etc. Ilsley said he is by instinct opposed to uplifters and was inclined to dispute the field, but King indicated clearly that this would never do. King received the delegates with expressions of appreciation and happiness. There were King, Lapointe, the Postmaster General and himself. The delegation carried in a large bundle of obscene literature as an exhibit. There were long speeches by each one of the delegation and then King asked each of the ministers to speak. The Postmaster General produced the statute to show he had no power. Ilsley produced the statute to show that he could only operate on imports. Lapointe showed that under the constitution the provinces were responsible etc. etc. Then King wound up. He shuddered at the thought of this poison getting into the bloodstream of our youth etc. etc. He got so hot that one of the delegates, moved beyond control, got up and handed King one of the papers. King averted his eyes, held his hands, palm outward, and in accents of horror pleaded with this chap not to ask him to read it. He just couldn't bear to do so. He would accept their word for it etc. etc.

Ilsley was kind of interested in the sort of stuff these people regarded as obscene so after the show was over he went around and asked the clerk of the privy council to send the bundle across to National Revenue where he could look it over. To his astonishment, the clerk said he was very sorry but that Mr. King instructed him to ship the lot to Laurier House where the P.M. could read it at leisure.

I told Jim that I found it hard to believe that story. He said he didn't give a damn what I believed. This was not hearsay: it was the truth. Now what do you make of that?

I have seen a great deal of Angus and he is happier than I have ever known him to be. He seems to have straightened out. His idea is that the gov't should call a halt for six weeks or so and get things lined up, see where we are etc. He fears we are greatly over-extended.

T.A.: he is very disturbed. He says King will switch the manpower machinery to Mitchell to avert cabinet trouble and anyhow this is probably the right thing to do.

T.A. will have no part in this discussion on account of not wanting to hurt Joe Thorson's feelings. But what really concerns T.A. is the policy proper. As he understands Mitchell's argument, there are two phases to the proposed policy:

1. Pretty well everybody will be frozen in their present employment and then the shifting will begin. That is, if a chap wants to move, he will have to have a permit and so on. The calls for home defence, however, will be used as the means of getting manpower into the selective service net. Having shaken men out of civilian life in this way, the department will then decide the best use to which each per-son can be put-industry, the armed services, mines or what-not. This undoubtedly will hasten conscription as volunteering will tend to decline on the strength of the freezes; chaps will think they are fairly sure of not being put into uniform anyhow. T.A. doesn't mind this aspect and he doesn't think King will care, provided that there is a reasonable interval before conscription is applied. What T.A. fears is a general breakdown in the economy, due to over-extension. He doesn't think we have the manpower to handle what we have already undertaken, not to speak of the endless expansion.

Phase two has to do with unessential services. These are to be eliminated but in practice this will be exceedingly difficult, and his numerous cross-examinations of Mitchell have shed no light on the problem.

The theory is that you shut down the unessential services and use the manpower thus freed for war purposes. The example is this: there are four tobacconists on Sparks Street between Elgin and Bank. One would be enough and theoretically you can shut up three. You make the choice in any way you please.

Having made the choice, are you going to pay compensation? All these people have contractual obligations, leases, rents, trade debts. Some have put their lives into creating the business, which will perish if they have to close up. You are working, here, in the higher age-groups, married men with families. Here is a chap who has been behind the tobacco counter for 15 or 20 years. What are you going to do with him? Send him to International Nickel? He would be no good. To any skilled mechanical job? He would be use-less unless trained and probably has no aptitude for machine- work. Manpower as units, says T.A., doesn't mean anything. The individual counts and when you get down to cases T.A. thinks that few of these older chaps will be of much use in war work. Meantime in closing down these shops etc., you will be hitting Ilsley's tax receipts etc.

I think that T.A. doubts that Mitchell will go through with this proposition. If he does, the prospect is grief unlimited.

2. 27 August 1942 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar and J.T. Thorson.]

Back on job yesterday after being AWOL for a day or two. It was villainous of me but the temptation would have floored St Anthony himself. ...

T.A. just back from his air trip to Aklavik, of which he has talked to you when in Winnipeg. He is very enthusiastic. A week ago Sunday he was at Aklavik and the heat was oppressive. Hadn't attended cabinet since his return and knew little of the state of affairs. The U.S. is carrying forward great developments in the far north. They have drilled and brought in twelve large oil wells at Fort Norman and are going to lay a pipe line straight across to the air bases in Alaska-a staggering task. The highway is going forward rapidly. It looks to the Yank experts as if Fort Norman was the really great oilfield in western Canada.

T.A. distinctly under the impression that Joe Thorson has been stripped; that his department is now a skeleton. Thought Joe should go for a judgeship and means to suggest this to him tactfully. ...

Went to see Joe Thorson in the afternoon, expecting to hear a sad tale. Found him in high spirits. ... The source of Joe's contentment, however, was manpower. He had defeated Hump Mitchell in cabinet. Hump evidently lied to me last August 3 when he told me that cabinet had turned all manpower over to him. Joe said that, on the contrary, the cabinet had ruled against Hump and in favor of Joe. National War Services retains all its functions re the calling of men for military service.

Joe said that over the past six months he had been working in the closest cooperation with King. In fact, he said, only the two of them knew what was going to happen. They could now see clear through the trees while the rest of the cabinet were still in the forest blackout. Conscription, says Joe, is dead for all practical purposes and dead for keeps. The conscriptionists have lost out, though they do not know it. There were two crises. The first and gravest was on the bill in June and July. The second and lesser was on the Mitchell drive for complete control of manpower. He added that Sandy Skelton had been at the elbows of himself and King throughout and gets the lion's share of credit

for originating the plan of campaign which had been followed so far with unhoped for success.

I've no idea as to the soundness of what Joe went on to say and I would not believe him too far. I'll talk it over with T.A. and advise re his views. I thought that Joe was so eager to tell me how the conscriptionists had been outmanoeuvred that he was unconscious of the extent to which he revealed anti-conscriptionist feeling. But I have no reason to doubt the truth of what he said. He was excited, emphatic and lucid.

Mitchell's plan was to get control of the call-up from Joe and thereafter to freeze men in employment on a priority basis. Voluntary enlistment would have become impossible. The idea was to freeze everybody and then begin selecting. The calling-up of men, until such time as the new organization could be made to function, would have been slowed down, and I think Joe is right in saying that overseas conscription would have had to come almost immediately. I think if you recall a memo I wrote after talking with Mitchell, some-time in July, Joe's version will be found to agree with what Mitchell thought should be done.

On King's prompting and with arguments buttressed by Sandy, Joe attacked Mitchell's proposal in cabinet on the line that the first result would be muddle and confusion, a severe drop in public morale, and a quick, if temporary, drying up of the inflow into the armed services. The labor department is not capable of handling selective service on this universal plane now and cannot be until the employment offices are increased and efficiently staffed. Joe had a memo written by Little to Mitchell-given him, I suspect, by Sandy-and when Mitchell challenged him in cabinet he produced the memo and quoted it against Mitchell-with devastating effect. The British, he pointed out, have 1,500 employment offices, long established and smooth running, against our 80, all of them created within the past 18 months and admittedly not well staffed. Mitchell had proposed to lift these employment offices out of the control of the Unemployment Insurance Commission and place them under Little but this had been turned down by the cabinet on grounds of policy. It would destroy the confidence of the working people, the insured, in the independence of the commission etc. In the result, Mitchell has to create parallel organization in these offices-a much harder task than merely to switch over the present personnel.

At the suggestion that the inflow into the armed services would decrease, Ralston jumped the fence and turned against Mitchell,

when the latter admitted the truth of Joe's contention. So did Angus [*Macdonald*]. Ralston is determined to get the maximum number of men into khaki before the end of this year.

Naturally, under the selective service system you could no longer call men for service blindly according to their age and marital status. You would have to select according to priorities-that is, exempting men if they are more essential in civilian jobs. You would have to deal with men as individuals, not in the mass, and it would be very effective but also very slow and laborious-particularly when no proper administrative organization exists to do it.

In the end, cabinet decided to leave military manpower with Joe and to continue the voluntary system. As foreseen by Joe (and according to him, by King) things will work out in this way: You now have two kinds of selection going on. Joe's military boards select men for military service without regard-apart from agriculture and a very small number of industrial postponements-to their civilian standing. That, he says, is the large-gauge sifting. The finer sifting-placing men in essential industries, training men, freeing men now in war industry for war service-will be done by the Selective Service people in the Labor Department.

The large-gauge sifting will be completed by October or November. Ralston called for 15,000 trainees in July, 25,000 in August and will call for 20,000 in September. The totals decline in subsequent months, getting down to around 7,000 in November. In July Joe sent notices to more than 100,000 men and the preliminary reports show that he got less than 15,000. The boys are already either in khaki or are unfit or are in agriculture.

This month in several of the military districts, the lists are being exhausted. The 40-year olds are being called. By September all the eligibles in the 20 to 40 year group will have been sifted. The age limit may be dropped to 19 or 17 and married men may be included. The limit may be raised to 45. But as long as agriculture is exempted the returns will not be large. There will be many corners to clean out, re-examinations and the like. But no large pockets of military manpower can be looked for. The calling up of men-the broad sifting-will be finished by the end of the year. It will then be true that, apart from agriculture, practically all the physically fit in the fighting-age group will be in uniform.

The great decisions must then be made by the government. The policy of general expansion, hitherto followed, cannot continue. Thereafter any expansion in one form of war production will only be

possible at the expense of some other form of war production. The cabinet will have to make its choice - the army or agriculture and so on. The decision, he says, will be against a big army and public opinion will support it. It may be that some home - defence conscripts can be shifted overseas and that overseas conscription may be applied to this extent, but this will not arouse much opposition in Quebec. Conscription in the sense we think of it will not be necessary.

This is all very interesting to me and I think, in a theoretical way, Joe is probably right. Your comments invited. ...

3. 25 September 1942 [DP, QUA].

[Information in the following memorandum came from J.L. Ralston, Bryce Stewart, and Arthur MacNamara. Major-General J.P. Mackenzie was quartermaster general, February 1942 to May 1943. When Elliott Little resigned as director of national selective service in November 1942, MacNamara took on this job in addition to his position as associate deputy minister of labour. J.A. Walker, chairman of the Labor Supply Investigating Committee, was co-author with T.A. Robinson of a report on the supply of manpower. C.P. Stacey, the official army historian, notes that although firm overall figures on defaulters do not exist, by June 1943 there had been 1,351 prosecutions for non-compliance with orders to report and that the police were "tracing" 14,932 other cases. Aside from the defaulters, a total of 7,255 compulsorily enlisted men were eventually struck off strength as deserters. (Arms, Men and Governments, p. 414.)]

Talk with Ralston. He is looking better than I have seen him since 1939. Said he was feeling fit and finding the work much easier. Thought he had broken the back of the job: that it would become progressively easier. Was now able to get occasional holidays, evenings without work and so on.

He referred to Chubby being hipped on air power and making a drive on him for air-crew recruits. Chubby wanted to lift several hundred men a month out of the army. With all due respect to Chubby, said Ralston, he wouldn't stand for this-not for a moment. He was having a hard enough time, God knows, getting the men required for the army and wasn't going to encourage a leakage of this kind. Chubby would have to do as he had been doing-demanding more men from the pool. There are still plenty of men left in the pool. We mustn't be stampeded by the occasional shortages which have turned up. There had only been one proper job done on man-power and that was by the committee under that Toronto chap which had reported a year ago and whose report had been thrown out by Tom Crerar and the rest. Ralston was satisfied that the

report was sound. And he had a private memorandum from Elliott Little stating that in Little's opinion the army could have several hundreds of thousands more men. He intended to hold Little to that opinion.

His course of action was very simple. To all protests he replied that there were still plenty of men in the pool. Get them out and into the armed services. That wasn't his job: it was their's. So far National Selective Service had been issuing all sorts of regulations and announcements but there had been no results. He thought a second registration was desired. But he wasn't interfering in the methods. If it could be demonstrated to him that the pool was dry-that there were no more men-he was quite willing to cut down the army. But there was only one way of proving this fact and that was by overseas conscription. That was the line of argument he was going to follow.

I suggested that in terms of manpower we already had conscription. He denied this vigorously. Joe Thorson hadn't begun to do a job on the calls. There were tens of thousands of defaulters, there were proper medical examinations to be made. Joe had gone through the motions-no more.

Contrary to the reports in the papers he had not increased his demands for men. The programme was as originally announced - 17,000 per month for home defence and overseas, needed in equal proportions. The trouble was that Joe had failed to deliver the 8,500 [*home defence*] trainees and therefore he [Ralston] had been adding the deficiencies to the new monthly calls. That accounted for the large calls of 20,000 and 25,000 per month. He intended to keep on doing this until he got the men. ...

He then began discussing the articles [*in the Free Press*] on army organization. This, of course, was Victor's point of view. He had argued it out with Victor at length and was quite sure that he was right. We did not have the British system and he was glad of it. He thought the British system inferior to ours. To have an army council in the British sense would make his position intolerable. He would have a debating body over him, Parliament, and another below him, the army council. The men who would be the members of the council were not competent to decide matters of policy. Would Victor suggest that John Peter Mackenzie was competent to discuss high policy? Why, it just did not make sense. Anybody who knew John Peter would agree. I suggested that perhaps John Peter wasn't the right man for the job. He said that he must use the tools at hand. It wasn't practical to keep on saying that he should have

the best men. Where would he find them? Who knew them? Again, it was all very well for Victor to talk this way. Victor had been very fortunate in choosing men but his choice was rather more restricted. He was going to carry on in his own way.

I left Ralston discouraged and frustrated. You just can't make the slightest impression on him. He is impervious to argument. His mind is tight closed.

Chatted this morning with Les Mutch who is working at National Defence headquarters. Les has been seeing a good deal of Ralston, though he didn't say what he was doing. Said that Ralston was very down on his luck and had told him that he was finding the strain and nervous tension hard to bear. Had only promised to take the department for 5 months and was thinking of quitting etc. I do not know what to make of this. Mutch was quite sincere. ...

Spent an hour in the Labor Department talking selective service and manpower. Bryce Stewart very disgruntled and disaffected. Is pulling out for New York on Nov. 1, to return to his job with Rockefeller. Arthur MacNamara to become deputy minister. Stewart feels that he has been thwarted and not appreciated. He says the absence of coordination among the various departments staggers his mind. The price ceiling is regarded by Donald Gordon as a purely financial, inflation barrier. To maintain it as such will paralyse the war effort. It is an essential bar to inflation, but the profit motive cannot be abandoned in mobilizing manpower. You cannot ship human beings about the country like machines. Who is going to cut airplane spruce on an island in the Pacific if they can make as much money at home. The latest Selective Service order provides various sorts of subsidies to increase the wages of men who are shifted to points of shortage-allowances etc.

The wage ceiling, in any event, is the highest wage paid in each division of labor. This left great room for lower levels of wages to rise. Last week Donald Gordon phoned to say that the boot and shoe manufacturers had advised him that their girls were quitting to get higher pay in an airplane factory. Donald must have 200,000 pairs of boots and shoes to keep the nation from going barefoot. The manufacturers said that if they couldn't keep their workers they couldn't make boots and shoes, and they couldn't keep them unless they paid as high wages as the airplane factories. If they raised their wages they would be unable to sell without loss under the price ceiling. Would Donald agree to bust the ceiling or would he prefer them to close up? Donald said this would take a hell of a big subsidy and why didn't the Labor Department stop this

kind of thing, etc. etc. I asked Stewart what the upshot was and he answered that he was God damned if he knew and what was more he didn't care.

Long talk with MacNamara - easily the coolest-headed and most practical man I've met around here for weeks. Arthur said that the greatest difficulty here was that businessmen and industrialists came to Ottawa to take on key jobs without the slightest idea of how machinery of government operated. Invariably they wanted to make a mighty splash. They insisted on laying out a new and, often, very logical plan of organization. They wanted everything to be done their way. Their plans would never fit in with the machine as it exists and will continue to exist. They made a few dramatic and usually meaningless changes and then either beat it home-having done a good deal of harm and no good-or went into opposition. The only way anything can be done, he said, was to operate the existing machine and adapt it to the job which had to be done.

Bryce Stewart was entirely a theoretical man who could not accommodate himself to the existing machinery of government. Elliott Little was an industrialist who simply did not know anything about how to work at Ottawa. He was a fairly good front man and fairly adaptable so far as taking advice. He and Mitchell were really running Selective Service, with Sandy Skelton a silent partner. They took Little through his paces every morning at 10 o'clock. He didn't know if Little could educate himself in time to handle the job. If not, it would be no great loss. MacNamara likes Little personally very much and would like to see him make good. But he doesn't like showmanship very much and he thinks Little makes far too many enemies needlessly. ...

He thinks the crisis, actually, is about five months away. He can see the manpower to meet the needs in the interval; it is under the hand, so to speak. Thereafter, the cabinet will have to decide the priorities. He thinks conscription will be quite unnecessary, unless it is decided to shift the home defence men overseas, and this would be a military, not an economic, decision. ...

MacNamara said that the army and the air force can still get bags of men out of their own ranks by using women in the place of men. The army is particularly inefficient in this respect. He said, as well, that Joe Thorson has not been tough with delinquents because the army has not been tough with deserters. Joe declares he will be as tough as the army. MacNamara says there have been thousands of deserters from the army and no effort has been made to round them up.

4.27 September 1942 [DP, QUA].
[Information in the following memorandum came from J.W. Pickersgill.]

Dear Chief: Mixing about with all and sundry, I have constantly kept in mind the two letters [of 14 and 17 July] you wrote to me about King's return-to-parliament formula.

As you know T.A. cannot understand him any more than you can. I have gone over the speech and my memos and I think it would have been understandable if he had based his formula upon the conscription act. You could understand him asking for a vote of confidence on this particular measure. St Laurent agrees with this point of view. King's insistence on a general vote of confidence in the administration was a great surprise to him. Ralston and Angus, of course, make no distinction. They detest any return to parliament. As Ralston put it, he no sooner got off one set of handcuffs than he clapped on another pair.

Most of the other ministers I have talked to, casually, don't give a damn one way or the other. It is King's business and they don't waste time thinking about it. But John Pickersgill had an intelligible explanation and if anybody understands the Great Man's mental processes, it should be John. He says that King has only one purpose in view and that is to get the loyal Quebec Liberals to vote for the government at the time that conscription is enforced. To have based the confidence motion on conscription would have been asking too much. A general vote of confidence is easier for them to swallow, and King wanted to make it as easy as possible.

John thinks that he had the Quebeckers on his mind to a much greater extent than the C.C.F's. ...

5. 27 September 1942 [DP, QUA].
[Information in the following memorandum came from J.L. Ralston. Brigadier H.J. Riley of Winnipeg retired as D.O.C., Military District No. 10, and was appointed joint associate director of national selective service. The other joint associate director was Major-General T.L. Tremblay. Brigadier R.A. MacFarlane succeeded Riley as D.O.C., Military District No. 10 (Winnipeg). On 30 June 1942 Victor Sifton resigned as master general of the ordnance. Ralston was anxious to keep him, and in August he tried, with the help of the prime minister, to persuade Sifton to become deputy minister of national defence.]

Ralston called me down to see him later yesterday afternoon. He is flying to England this morning and was considering issuing a statement

re Riley. He read it to me. ... Riley, he has been told by Little, is accepting the job as chief of the English-speaking section of military manpower on selective service. His colleague will be Maj. Gen. Tremblay.

Little asked Ralston if he would promote Riley to the rank of Maj Gen and Ralston at once agreed. He was happy to agree because, it was quite evident, he thinks Riley has materially injured his position vis-a-vis the general staff. Riley assured him, he said, that rank meant nothing to him. Ralston offered him a major generalship and other employment, but he refused. Ralston wants to know if Riley stipulated for the higher rank. Ralston points out that Riley could have done his new work just as effectively as a civilian as he could do in uniform. Did he want the higher rank? Was this why he wanted to quit his old job? etc. etc. If Victor hears anything along this line would he let me know. I am supposed to pass the word along to Geo Currie who will cable him.

I asked him about Price [*Montague*]. He said he was completely stumped and means to learn more overseas. Apparently after the last exercises, the British general Montgomery in charge of the Kent command insisted that Price be fired. He was no good at operations and tactics - excellent as a leader and as an administrator.

The first he heard of it was a cable from McNaughton informing him that Montgomery had insisted on the retirement of Price and that it had been agreed that he would take over the Red Cross. Thus Ralston was left no room for operation. Price had already agreed to his own decapitation. If Price had fought, he could have done some-thing. But the goose was cooked. He felt that Price's lack of fight was fairly sound proof that he wasn't up to the job and he had not tried to reverse McNaughton. I suggested that this was a very revealing thing. McNaughton or somebody had been dead wrong in promoting Price, if he was now to be thrown out as no good. He agreed but thought that criticism of this kind would only hurt. He would prefer nothing to be said.

Recruiting he said was splendid. His programme called for 100,000 men and he had 66,000 or so in the first six months. He was going to get 125,000 in the year. This, of course, was the result of the call-ups. The men were volunteering instead of being conscripted for home defence. But he needed about 100,000 men for home defence and Joe [Thorson] was not coming through with these men-hence the larger call-ups each month. As a result, active service men were having to be placed in home defence service. He disliked doing this very much.

The deserters that Joe talks about, he says, are lads who were called for 30-day training [*in the summer of 1940*] and were returned to militia units. They had flown the coop and he was now rounding them up and insisting that they go to armouries etc. for the prescribed training.
As a parting shot he said that Victor might be interested in changes he had made in the past ten days. He was very strongly opposed to an army council on the British model, as he had explained to me the other day. But a week or so ago he had decided to take all senior appointments away from the general staff and place them in the hands of his own brand of army council. The council meets in his office and he is exceedingly pleased with the results to date. It was this council which decided on MacFarlane as Riley's successor. Stuart had wanted a man called English and Riley had recommended him. Of course I must not confuse this with Victor's ideas of an army council. He just couldn't stand a statutory council which would be above the minister, but in the way of advice, the new body was extremely welcome. ...

I was astonished by all this. Victor is right. The Col. has been pushed around. He is certainly magnificent in retreat.

He wondered about the Tories. Knows Murdo MacPherson very well. A great improvement over Hanson, but not really a first-rater or anywhere near it.

6. 29 September 1942 [DP, QUA].

[Information in the following memorandum came from George Currie, deputy minister of national defence (army). After Victor Sifton declined to accept the deputy ministership of national defence Colonel Ralston appointed Lieutenant-Colonel George S. Currie as deputy minister (army) on 1 September 1942. At the same time Lieutenant-Colonel H. Desrosiers who had been associate acting deputy minister became a deputy minister (army).]

Went to see George Currie. ... He was sorry not to have had a chat with you when you were last in town. He thought you would have understood the cryptic message he sent via me-that Ralston had made concessions re the deputy ministership - but in case you didn't he explained as follows:

Ralston has made him the real deputy minister. He acts for Ralston in his absence and deputizes for him when he is here. In status the deputy has been raised from zero to the point right next to the minister. All business flows from Ralston to Currie and then outward to the general

staff or the other branches. All business inbound goes through the hands of the deputy before it reaches the minister, and the deputy has the right to intervene wherever and whenever he wishes to do so. He is definitely on top of the general staff. Indeed, Currie presides at the morning conferences and all other conferences when Ralston is absent. He said that Stuart took the hemlock cup in good sporting fashion and seems to have accommodated himself to the changes. Currie is certainly getting a thrill out of it. He was not too clear on how the branch heads function-whether they are still hog-tied by the general staff or whether they have direct access to the deputy. I judge nothing is changed in this regard.

You are certainly being proved right in this-that the Col. can retreat when he has to do so. I judge that perhaps 50 per cent of your fight is won and it must be some satisfaction even if you had to resign to do it.

7. 5 October 1942 [DP, QUA].

[Information in the following memorandum came from C.G. Power, T.A. Crerar, and Ralph Maybank, Liberal MP for Winnipeg South Centre. Brigadier George P. Vanier was Canadian minister to France 1939-40, and, after that, a member of the Canadian-United States Joint Permanent Board on Defence, and D.O.C. Military District No. 5 (Quebec city). Major-General L.R. LaFleche had been deputy minister of national defence before the war. He was appointed military attache in Paris on 18 January 1940; and became associate [deputy] minister of national war services on 17 October 1940. LaFleche failed to live up to the expectation that he could handle Quebec on the war. Three years later, after a discussion of Quebec cabinet representation with St. Laurent, King recorded in his diary: "He agrees LaFleche is useless. No one would miss him." (Pickersgill and Forster, King Record, II, p. 354.) Most of Power's information about the imminent cabinet changes was correct, but Alphonse Fournier became minister of public works and Ernest Bertrand, minister of fisheries. J.E. Michaud, previously minister of public works, was promoted to be minister of transport. Lieutenant Colonel Thomas Vien was Liberal MP for Outrement. Ralph Maybank's quotation is from the New Testament, John ch.4, 32-34, and in the King James version reads: "But he said unto them, I have meat to eat that ye know not of. Therefore said the disciples one to another, Hath any man brought him ought to eat? Jesus said unto them, My meat is to do the will of him that sent me, and to finish his work."]

Chubby phoned Sunday (4th) at noon to come down right away. I found him looking very fit but extremely nervous and restless. He had been on a bender for two weeks. Very sorry. Straightened up to let Ralston away etc... But what he wanted to see me about was Quebec. St. Laurent, King and himself had been working hard on the "situation" since he had come back and things were now pretty well lined up.

"The chief' [*Mackenzie King*] had told him to tell me the whole story as he had recollected that there'd been some trouble about LaFleche in the past and he hoped etc. etc...

The time has come to bring Quebec's cabinet representation up to strength. That involves three new Quebec ministers. There was a growing feeling in Quebec that this must be done and failure to act would seriously weaken the government's position etc. etc. King's disposition was to promote members or appoint senators-anyhow to avoid by-elections. He was profoundly of the opinion this would be a costly mistake. Quebec wasn't as bad as some people thought. It was as different from 1914-18 as day from night, and for the better. You couldn't expect the Frenchies to vote for conscription; but they were really expecting it and, in his judgment, would accept it. He recalled many of the incidents of 1917-18 - for example, the burning down of Sevigny's home. Yet he went back to his riding and all his friends were glad to see him; went the rounds, from what George calls the cat houses to the Lieutenant-Governor's parties and could notice no difference in his personal relations. But the govt must not encourage opposition in Quebec. The govt must take its stand and carry the fight to its opponents. French Canadians would respect courage of that kind. He had argued and convinced King that at least one of the new ministers must face the electorate; there must be one by-election.

When it came down to the man, there were really only two choices-George Vanier and La Fleche. Vanier simply could not be elected. A swell guy, a gentleman and a patriot-but any nationalist rat could take the hide off him. King's idea was to bring Vanier into the cabinet via the Senate, but that would be an act of cowardice, of defeatism and would add to the difficulty of the situation. There was a third chap, Wilfrid Gagnon, sometime member of Godbout's govt, a boot and shoe manufacturer of Montreal and presently Clarence Howe's white-haired boy. Howe was pushing for him, but Gagnon is a creature of Cardin's. It would be all the same as having Cardin back in the government and anything would be better than that. King was through with Cardin because C has behaved "very badly", and Gagnon is out.

There weren't many suggestions coming from the grass roots in Quebec except from the hierarchy-not the clergy. The bishops and better were completely sold on LaFleche. The cardinal [Ylleneuve] had twice written to King urging him to take LaFleche into a war department. In the cardinal's view LaFleche is the only man who can sell the war to

Quebec and if King accepts LaFleche, the Cardinal et al. will get right in back of him and push.

"You don't need to talk to me about LaFleche," Chubby went on. He had double crossed every friend and betrayed every principle. He was a liar and the damnedest intriguer he had every known. If he was taken in now, he would be as smooth as butter for about six months and then he would be pure poison. Chubby hates him. King detests him. St. Laurent wont speak to him. Ralston had wired back that he would refuse to sit in war cabinet with him. "To be perfectly frank," said Chubby, "he's a son of a bitch." Nevertheless he thought LaFleche could be elected in Vien's seat of Outrement where, including the Jews, 52 per cent are white. There was only one reason to bring him in-the belief that he could handle Quebec on the war. He would be taken in on that basis.

Vien was trying to be tough. He had badly wanted a portfolio but King had called him in and told him that that was out of the question. King had told him that it was well known that he had used his position as a member to further the interests of his clients and Vien had not disputed the charge. "How could he?" Vien had first stipulated for a senatorship but later had figured that he was in a strong position-"the only seller"-and added that he must have Dandurand's job. This was out and he hoped to settle with him for a senatorship and a privy councillorship, without entry to the cabinet. King had agreed to the price but thought it excessive. To ease Vien along, he had persuaded the member for Laprairie Napierville to offer his seat (on the firm understanding that the offer wouldn't be taken up) and thought that when Vien found there was competition he would seize the bird in the hand. Hoped to get all settled this morning so that it could be announced today and the by-election brought on at the same time as the others-Nov. 30.

LaFleche, he said, is to take National War Services and Public Works. This meant opening Joe's seat but that couldn't be helped. The other two will be Fournier of Hull as Solicitor General (a very good man indeed) and Ernest Bertrand of Laurier as Transport. Joe will go to the Exchequer Court. Chubby said that King wanted you [*Ferguson*] and the chief to have this background in your mind when you dealt with LaFleche. He thought the same of him as you, but politics often debar ideal choices.

Chubby then babbled along. He is going to strip Ralston of men for air crew. It will mean a fight but it's got to be done. Why didn't somebody really go after Ralston and McNaughton. He is minister of the

army [*in Ralston's absence*] and was going into the figures on Saturday. McNaughton, it is true, hasn't asked for more than five divisions but he has built up all the communication units until his infantry divisions really call for 45,000 men, not 17,000 and his armoured divisions 35,000 men not 15,000. Nothing of this kind was done in the last war and it would not have done in this war had we been fighting. It meant that if we were based on Le Havre we would man every army unit from our base to the front line-mobile laundries, decontamination squads and so on. Nobody could tell him that a man was doing as much in a mobile laundry as in a bomber and he knew that there are any number of army lads overseas who are eager to get into the air force.

T.A. called in the afternoon. He had had a long talk with King on Saturday. He gathered that King didn't want to open Joe's seat until he sampled the wind in Winnipeg North Centre, but Joe is to have the exchequer court right enough. ... They talked of the war effort. King agreed that we are seriously over-extended and must cut down Ralston. He had the greatest difficulty in calling a halt because of the interpretation-conscription-wise-which might be placed on his attitude. Encouraged T.A. to revolt and regretted he hadn't been on hand last week.

The manpower programme now calls for 40,000 per month until March 31 next and 18,000 thereafter. The armed services are taking some 25,000, with the army quota at 17,500 or thereabouts. Little had told the cabinet that he could meet these demands. He had been easy and optimistic but there were a number of "ifs" which must be considered: if "the provinces disgorge", meaning Quebec; if unessential industry is closed down; if agriculture is unfrozen. To lift more manpower from agriculture simply means that we fall down on food production. This is a choice as to which is more important-food production or other services. The disgorging phrase is a crack at Quebec and was resented by the Quebec members. The closing down of unessential industry must be brought about with great care. The proposal to move the gold miners to the base-metal mines was fraught with great danger. For example, this would mean that the town of Timmins would have to be shuttered-a community of about 21,000 people, substantially larger than Brandon. If you took away the miners you removed the income of the community. All business went bust, the school district went bust, the municipality went bust, the surrounding farm areas lost their market and so on. Debt would have to be repudiated. You could not, of course, move the

base-metal mines to Timmins, but you could halt the outflow of men from them into the armed services or other industry. It is not possible politically to execute large communities in this way. People forgot that the concentration of industry in Britain had been a great disappointment, had not yielded the men expected. In Britain they had learned that you must take the work to the men as much as possible. And so on. Little was refused the powers he sought and is to come back to cabinet with a detailed plan, showing how he proposes to operate.

Ran into an interesting sidelight on King. Ralph Maybank in town to persuade King that Winnipeg North Centre can be carried provided the boys tackle the job with ardour of soul. Do not mention this to Ralph, but he has become deeply religious in the last year or so. Doesn't drink any more. Gets great power from prayer and, frequently, a sense of being God's instrument etc. etc... . He went to see King on Thursday after council. King very tired but wanting to see Ralph because King has taken a deep interest in Ralph's spiritual re-birth - been a kind of midwife. They started out discussing prayer and King said that he could never have survived these past three years had it not been for the strength vouchsafed him in response to prayer. He quoted the passage (George will know it) in the New Testament about "I have food ye know not of" etc. Was delighted to find that Ralph was beginning to sense being used as a Divine instrument. He had had this realization for many years and it too gave him strength. Ralph gave an instance of where he had been the instrument whereby a needy widow had obtained a war pension. All his arguments had come to him on his feet out of nowhere. He had never argued so lucidly and so compellingly etc. etc. King agreed. He had had many experiences of this kind. Just when he seemed to be down, when hope had fled, new strength flowed into him, ideas spawned in his mind, arguments arrived on each other's heels, fully clothed with words and references. King felt he was the instrument for holding this nation together, the instrument of nation-al unity. I suggested that it might be a very dangerous thing for a politician and, particularly, for a prime minister-a divine right to stick on the job, etc. Ralph thought not. You were never the instrument for your own gain. He didn't apply that to Willie. And suppose that two instruments clashed-that there was a conflict in instrumentality. He said we would discuss it in more detail another time. A very interesting line on Willie.

8. 14 October 1942 [DP, QUA].
[Information in the following memorandum came from Mackenzie King, John Deutsch, and Major-General H.J. Riley.]

Nothing hot-just gossip.

After announcing cabinet changes King phoned me at Press Gallery. He was obviously wanting to know if I had sent out Chubby's information and received any word in reply. Told him I had sent out the information but had heard nothing. He then proceeded to discuss his new colleague LaFleche with extraordinary frankness. There was no need to be worried about LaFleche. There wasn't anything left in the department [*of National War Services*] which could do harm-no functions, no powers. I knew, he assumed, that LaFleche had very strong backing (these words emphasized) and if he could achieve his ambition, we would all be thankful. He expected LaFleche would do a good deal of running around the country, making speeches, and would not take any great part in the business of government. I had noticed, he hoped, that LaFleche was not in the war cabinet etc. etc. He thought it better to have ministers meeting the public than some of the senior officials. In this regard he referred to Mr. Little as something of a blatherskite. He found it hard to understand why there was so much talking from that quarter and so little administrative progress. ...

Johnny Deutsch was over playing records the other night. He is brain-trusting (or busting) for Elliott Little and likes him very much. Johnny has become violently anti-German. Hitherto he has worked like a beaver and been all for the war etc. but without passion. His new reaction is to loathe all things German. He is trying by mental effort to eliminate from his mind all recollection of the German language which he learned at home and said with deep satisfaction that he had reached the stage where he thinks in English and has to trans-late into German. He says Little is a grand man but has absolutely no background and no sense of the meaning of words. He is completely innocent of the history of his country and desires always to tackle problems as if they were new-born. Selective Service is in a hell of a mess and John blames the government for delaying to act until the crisis occurred. The precious time which would have enabled us to meet the crisis has been lost and is unrecoverable.

Maj. Gen. Riley, chat in his hotel room. Very friendly and not disposed to minimize problems. Selective Service, he said, right now is in chaos. At the very best and given all the breaks we must pass through a substantial period of time-several months-while we create the

machinery necessary to do the work of selection. But this machinery cannot function until fundamental policies are laid down. In this category are decisions as to the relative size of the army, war industry, and the degree to which essential services can be cut down. Until they know what cloth they have, they can't begin to cut it. No sign of these decisions and meantime they are trying to unscramble the mess and create an organization capable of carrying out policy. He thinks the present plans are far too top-heavy and must be simplified. Instead of three-man manpower boards (58 of them) across the country, all that is needed is one-man set-ups. ... Having made the broad decision on the size of the army etc., the government must set up priorities in war and other industry. This not done and Munitions and Supply are pressing for the over-all freezing of war workers-just as agriculture is frozen. Except as a temporary measure, this would ruin Selective Service. But Munitions and Supply is desperate, with production falling away. Indeed in wide areas where man-power shortages most acute, the Selective Service regulations are being unheeded, treated with contempt. This is a very dangerous situation.

Having got the organization together and the policies declared, the only way of proceeding is by new registration. Old registration [*of 1940*] useless since registration certificates forged and misused innumerable ways. Got to have fingerprints and everything. Medical inspection of men drafted also exceedingly difficult and will be very expensive. Probably have to bring them to central points to pass before boards of five or six doctors. Can only do superficial testing at outside points.

Little can't get men he wants. ... In any event and with all possible success, there will be a period in which very few men can be found for the army. Ralston will have to put up with this. ...

9. Letter from Grant Dexter to George Ferguson, 19 October 1942 [DP, QUA].

[In the summer of 1940, when the fortunes of war were at their lowest for the Allied countries, and after Italy declared war on them, the Canadian government rescinded the citizenship of all Italian Canadians naturalized after 1922. This reduced a group of 135,000 to the status of enemy aliens, many of whose children were in the Canadian armed services. George Ferguson went to work at his typewriter in an effort to get the Italians' citizenship restored, and he wrote an editorial on 27 October 1942 which accompanied two articles by Dexter on the 26th and 27th of October. Their efforts were not without effect: "We are getting our wops fixed up and St Laurent will probably put the Germans back in the Canadian citizenship column. Isn't that good? He's a good guy

this St Laurent. The wops are in the bag but they're not quite sure about the German Canadians and so the order is being held up." (Memorandum, 10 November 1942, DP, QUA.) On 29 December 1942, the Free Press reported that citizenship was being restored to the thousands of Italian and Germans whose naturalization papers had been revoked "during the panicky days of 1940." Thomas C. Davis was deputy minister, National War Services. Tracy Phillips was head of the nationalities branch, National War Services. The term "fifth columnist", which Dexter abbreviates to 5th cols., was commonly used during World War II to refer to the "enemy within a nation." It derives from a speech in 1939 by the Spanish Nationalist General Mola who said he "was besieging Madrid with four columns from the outside and the 'fifth' from within."]

Tracy Phillips has been after me re the Italians. He has tried and tried and tried to get Justice Dept. to restore citizenship to the Italians. The U.S. has now done so and I think perhaps if we help him, it can be done. Tommy Davis is working tooth and nail and I became so incensed when I got into my file and recalled what happened in 1940 that I have done far more work on the story, perhaps, than you will think is justified. Still the morale of 135,000 people is worth troubling about. The nigger in this woodpile is. a chap named Anderson who is in charge of def[ence] of can[ada] regulations in justice. He sees 5th cols down every coal shute and is just impossible.

I do believe that the sheer merit of the case, if published, must bring action. If not, I swear I will tear the god damned justice building apart, rock by rock. My recollection is, very strongly, that we stood pat in 1940 and resisted the witch hunters. If you could put your typewriter into this service, it would help immensely.

10. 23 October 1942 [DP, QUA].

[Information in the following memorandum came from Walter Turnbull, T.A. Crerar, and Major-General H.J. Riley.]

... Cabinet still fighting selective service and yesterday's meeting brought a definite tilting of the scales against Ralston and Little and in favor of T.A. and Howe.

One interesting sidelight is that Walter Turnbull was told by Willie to communicate to you folk his congratulations on the army pieces-which he had read with interest and approval. Could this discussion not be kept up and broadened? Willie agrees that it is most desirable to enlarge civilian control at National Defence. I asked Walter what the big shot was doing as his contribution. He remarked cryptically that Willie was

having an important interview with Sir Lyman Duff this afternoon. He then showed me Ralston's signed letter of resignation. Apparently King had called for it, to refresh his memory, and Walter was on the way out with it. I only had a chance to scan it and don't remember the phrasing, nor am I clear on which letter-the signed or unsigned-Victor functioned as mid-wife. In retrospect this letter looks pretty silly. I asked Walter if King commented on it. He said no but that he had looked very satisfied and contented. Ralston took the line that, unless conscription was immediately applied the army programme would fail, our over-seas forces would be left exposed and a crisis would follow. Conscription hasn't been adopted and none of the calamities have so far occurred. Recruiting is keeping well up and the tendency is to cut down the army. I see, now, why Ralston is so myopic on the big army issue. He is trying to make his letter come true.

All manpower demands up to April 30, 1943, were gathered together and submitted to cabinet by Elliott Little. The Munitions and Supply figures are from Sept. 15. The armed forces from Sept 1.
I got the figures from T.A. who had a copy of the memo submitted by Little.

	Male	Female
Army	144,000	8,000
air force	44,000	16,000
navy	10,000	2,000
	198,000	26,000
Munitions and Supply	70,000	60,000

The grand total is 268,000 men and 86,000 women or 354,000 in all. These figures do not include Howe's latest expansion which includes 10 new plants.

Little said that he could meet these requirements if certain things were done. Sandy Skelton who is the chief adviser on selective ser-vice told T.A. afterwards that he tried to get Little to include two qualifying sentences. These were that "theoretically" these demands could be met but that "practically" they could not be met.

The cabinet, without considering the "ifs" in detail said that Little had better go ahead and prepare more detailed plans on the assumption that power would not be withheld. TA. wasn't at this particular meeting (Mrs. Crerar's brother died and they went to the funeral) but King explained after his return that he had stood out as much as he felt able to do but had not been able to block the proposition.

Little came back to explain the “ifs” which include the shutting down of all subsistence farms and the using of this manpower for war purposes. The shutting down, to a large extent, of wheat-farming in Saskatchewan. The unfreezing of agriculture and the drafting of men from the farms in a fairly large way. The shutting down of gold mines. The closing down, very vigorously indeed, of unessential industries. And there must be no more freezing. Selective Service must get a free shot at the whole of the manpower.

T.A.’s argument is that this plan is impracticable and if persisted in would wreck the economy without adding appreciable numbers to the army-which outstrips all other demands for men. The army you will note wants more men than everybody else combined.

Jimmy Gardiner who has always stood aloof from these arguments and who has never even supported the freezing of agriculture, came out strongly against the unfreezing. He has been taking a larger part in the controversies in cabinet on the Little programme. And Howe demanded the freezing of all men in war industry-which would have wrecked Selective Service entirely. Yesterday afternoon Howe with the support of T.A. and King and Ilsley got through an order-in-council freezing manpower in a group of war industries-spruce, coal mining, base metals, primary steel and maybe one or two more. Gen. Riley told me last night that the order was temporary, only until next February. But Little was disappointed and he had better not count too much on getting the freeze off.

Joe Thorson, from his eminence on the Exchequer Court, tells me that on the most optimistic basis 80,000-90,000 men can be obtained for the army out of the single categories. It will take some time to sift them out and a substantial number will plunk for the air force. When they try to touch the married men and those with families, he says it will become much more difficult and the complaints from industry will be much more pointed.

Riley is quite clear on the problem and has indicted a memo to Little. His point is that nobody in Selective Service can function properly unless the fundamental decision is made by the government. The government must first decide how big the army is to be. Then Selective Service will know what it has to do and the degree of invasion of war factories and agriculture that will be necessary. There are no priorities, in this sense, and therefore no yardstick for Selective Service to work with.

T.A. agrees with this but points out that if the govt did its duty and curbed Ralston, the conscription issue would at once arise and this in

turn menaces national unity. It is all very difficult, though T.A. says that the present orders for manpower cannot be filled and the breakdown can scarcely be postponed beyond Feb or March.

11. 29 October 1942 [DP, QUA].
[Information in the following memorandum came from John Deutsch, Sandy Skelton, Arthur MacNamara, J.M. Macdonnell, and Arthur Ford, editor of the London *Free Press*. The army's eighth division, intended like the sixth and seventh for home defence, was authorized in March 1942 in response to public pressure from British Columbia for stronger Pacific coast defence against a possible Japanese attack. In dealing with the competition between industry and the army for manpower, Dexter is saying in a highly elliptical way that ardent conscriptionists now wanted conscription to control the flow of manpower to the army in a rational way. The Port Hope crowd included Macdonnell and other progressively minded Conservatives, who had met at Port Hope in September 1942 and framed a reform program for their party.]

Two angles to this business: First, the broad policy of economic controls which almost certainly must ruin Mr. Little. Second, the collision between Little and the Labor dep't including Hump Mitchell. First much the more important, although second may mean Little's resignation within a week after Mitchell's return.

War effort greatly over-extended because there is no coordination from the top. Army, air force, navy, munitions and supply, agriculture etc. making demands on manpower. Collectively these demands now exceed our manpower resources, and cabinet some time ago should have fixed definite limits to army and other competing agencies. Cabinet would not and will not do this for two reasons.

The army [*they say*] is wrecking the economy. Eight divisions cannot be sustained. But to restrict the army would expose King to conscription cry. Ralston would resign and claim that army was limited to save gov't from applying overseas conscription. He has no intention of exposing himself to this attack, and his reason is that by so doing he would imperil national unity. Second reason is that King and all his ministers are pledged not to apply overseas conscription until voluntary system breaks down. Voluntary system continues to go great guns, while shortage exists in conscripts. When the lads get their call-up notices they enlist. Enlistments have been running around 12,000 per month against the programme of 8,500. Conscripts have been running about 4 or 5,000 short of requirements to fill seventh and eighth divisions. Ralston furious but in an impossible position.

Under these circumstances King intends to pursue the line that everybody can extend the war effort as far as they like until the country rises up and co-ordinates things by demanding a roof on the army. This revolt is rising apace-everybody agrees on this.

I am surprised to discover that Little well knows that the man-power demands are ridiculous; cannot be met. He put in his memo to cabinet on the raising of 350,000-odd persons for the fighting ser vices and Howe on the basis that the demand could be met if certain things were done-sub-marginal farmers, the wheat industry, concentration of industry and so on. He refused Sandy's advice to say that theoretically it could be done but that practically it was impossible because he believed that his "ifs" would make that plain to cabinet and that cabinet would say no. He was dumbfounded when cabinet said that the expansion programme must stand approved and that he should go ahead-but without wrecking the economy. He has been back twice since then and got the same impossible advice on both occasions-which he finds completely baffling. Meantime agriculture and the sub-marginal farmer, plus the wheat farmer, stays frozen and Howe has got his basic industries frozen-thereby reducing the area in which selective service can operate.

Seeing the cabinet will not do the co-ordination job, Graham Towers and the all-powerful group of officials around him, have decided that the job has got to be done in another way. It is just too bad if this ruins Elliott Little but the larger good must prevail.

To this end, the concentration of industry and the closing down of unessential industry etc. are being deliberately hamstrung. This function belongs not to Little but to Donald Gordon. Mr. Gordon is the steam-engine but Mr. Towers is the governor. They confer on average three times a day.

As the policy works out, the Prices and Trade Board concentrate industry and shut down the non-essential industry, and the manpower thus released flows inevitably into the channels controlled by Selective Service and is thus made available to the armed services and war industry. The vital control, here, rests with Prices and Trade.

Prices and Trade operates through dozens of administrators who in every case are leaders in their own industries. Thus the carpet administrator in person owns two of the six carpet mills in the country etc. It is notable that in every public statement and, indeed, in the order-in-council [of 19 August 1942], the primary task of working out the problem on non-essentials and concentration rests with the industries themselves who are to bat schemes up to Gordon via the administrators.

They were asked to get to work last August but so far not one plan has materialized. Selective Service keeps asking about them and invariably is told that the problems are being studied, are in hand, and so on.

Through these channels, which reach every businessman in Canada, is being pumped the fact that these heavy demands for manpower are the result of over-expansion of the army. It is almost phenomenal the change which is coming over business leaders on the army question. Ardent conscriptionists of older days are suddenly discovering that they wanted conscription to control the army and keep it down. What the hell does this man Ralston think he is doing etc. etc. This growing wave of revolt is very noticeable and is report-ed from all sides. Harold Riley will confirm it. Actually the movement is just beginning.

The unessential industry policy is developing with equal slow-ness. Here again the job has been handed to Donald Gordon, and the industries themselves are supposed to draw up the plans for their crucifixion. Sandy says that a great deal of tub-thumping is being done by Gordon. Business is being told how it will writhe in agony etc. etc but again nothing of any consequence has happened or seems likely to happen. The little fellows are going to be cleaned up but the big fellows will not be materially damaged.

The position occupied by the Prices and Trade Board is the key to Little's impossible situation. Under Prices and Trade, the controllers (the businessmen and industrialists) are to work out their reduction policies. They cut so many men out of each industry or business. By and large, experience to date indicates that the men so let out are the ones the industries can best spare. ... But these culls, plus the one-man business or small concern-tobacconists etc.-are not what Little wants. They are practically useless either for the army or industry. Little has got to have the better class chaps. Yet once Prices and Trade has done a job on industry it will be impossible, as a practical proposition, for Little to go into it and do the work all over again. He is, in fact, debarred.

Thus the giving of concentration of industry and the elimination of non-essential industry to Prices and Trade is, in effect, a withdrawal of all this manpower from the area in which Selective Service can effectively operate. Taking all these allocations or withdrawals together, Little is left with just about nothing. ...

Little and Sandy have been at work, against Humphrey Mitchell's home coming, on a charter of rights. This is to set out the minimum

amount of power which will hold Little on the job. If he doesn't get it, he will quit. He desires Selective Service to be a separate department, himself a deputy minister. As it now stands, he has no establishment at all and must run to MacNamara for everything he wants. He is also insisting upon having the right to review, from the point of view of manpower, all the concentration plans made by the Prices and Trade Board and to take men away from business and industry, regardless of such plans, if he deems it necessary to do so. He wants also the right to treat any business or industry he may so regard as unessential. This brings him into direct collision with Prices and Trade, but as the charter has not yet been completed and is still the darkest secret, Towers, Gordon and the rest are not aware of the conflict.

Sandy isn't sure that Little will go so far as to risk this collision. Apparently it has him worried. He has his own career before him etc. etc. Moreover his own company has gone out of newsprint and is going into corvettes and he cannot afford to have an outright break with the folks here, if he wants his old job back.

Past Record of Prices and Trade Board: Sandy, Johnny and others argue very potently that the administration of the price ceiling has been heavily loaded in favor of big business and industry. These people have benefitted in a big way: Donald Gordon is the white-haired laddy. I had never thought of the record in these terms but when I did so, I am inclined to agree, though I would prefer, before making positive statements, to scout the field more thoroughly. Members of the Prices Board like Fred McGregor, Hector McKinnon, chaps like Ken Taylor would know for dead certain. ...

The price ceiling was put on and businessmen were told it was going to hurt like hell. There was the famous battle of the squeeze. In fact, the only people who got hurt in the squeeze were the consumers and the little fellow who was not worth salvaging in the view of Prices and Trade. The price ceiling, in the main, was held. The manufacturers' and retailers' costs were brought into line by several methods-quality was reduced, particularly in textiles; the number of lines was cut down; models were standardized. These benefitted the manufacturers greatly, since the old price remained. They passed along part of their winnings to distributors and retailers, although I am told that the small retailer often lost out. There have been no complaints worth mentioning; everybody is happy. Where the consumers could not be squeezed, the lads got subsidies. Sandy says that the latest subsidy reports coming to him through Towers

show very, very large sums. One industry is getting $116 millions [*sic*] per year. In a word we have been getting an inverted inflation. The quality is cut but the price remains constant-a process which, no doubt, is capable of considerable expansion.

Next to nothing has been done to cut out lines of goods which manufacturers wanted to continue. Prices and Trade have been very convincable here, easily persuaded, and Munitions and Supply, where industry is also in command, has not been too tough. I note you have a leader along this line. It is right on the nail, though I am not arguing that these chaps are scoundrels. It must be a case of Sir John's story about the Jewish boy and the bit of pork.

It is suggested, however, that we are witnessing a great trustification, cartelization, of Canadian industry, and that competition is being knocked out. Behind all this front-stage tragedy of the nation being stripped for total war, with Donald as the leading torturer, nothing very much has happened or is happening. Nobody's being hurt, except the consumer and the little guy. The big chaps are man-aging to bear it all bravely.

Looking back over the record, without reading it carefullly, I think there is a very great deal of truth in this view of the price-ceiling administration. I have an idea that a goodish bit of it could be substantiated factually. I recall, for example, the textile controller making a broadcast in which he said very frankly that the quality of all textiles was being lowered. I would suggest that you let me try my hand at a piece or two analysing the administration to date. I don't suggest that any wild statements can be made and I would keep away from generalizations. My idea would be to write objectively. You would draw the moral if the case was good enough. It might well be that we could make our case factually and quite objectively and tell the story without making any direct statements. If such a job could be done, it might help to straighten things out here. Most people have been completely fooled on the performance so far-including yours truly.

Conservative convention. Jim Macdonnell here and says that he is no longer afraid that Mitch will try to crash the gate at Winnipeg. He has been very busy sounding out Ontario delegates along this line. There is absolutely no Mitch support that he can uncover. He thinks Meighen is the real menace. He has had commerce with Meighen and is convinced that Meighen's anti-King and pro-National Govt line has become an obsession. Meighen is plainly determined to persuade the convention to come out on this line and if necessary he will himself stand for the

leadership rather than con-cede failure. He does not think that Meighen has a chance, but says that the Port Hope crowd cannot take any risks and all of them must work like beavers between now and Dec to make defeat of Meighen a certainty.

Arthur Ford in town today and full of salty gossip re convention. He had a chat with McCullagh at the last Canadian Press meeting. McCullagh said that he agreed with Meighen 100 per cent that Bracken was the only man and the programme must be national government. Nominally he was committed to Drew, so he could not come into the open. Senator McRae from B.C. was also very frankly with Arthur. He is almost certainly Meighen's first lieutenant in the plot. McRae says that they can get Bracken without trouble, provided Arthur [*Meighen*] can persuade the convention to go to national government. That is Meighen's job; the rest will be easy. Victor's newspaper-owning friend from St John also very frank in support of this plan. He is for Bracken. Arthur says that Meighen has got pretty influential backing right across the country in favor of Bracken. He doubts if Meighen can put it across but thinks he has as good as a fifty-fifty chance. Arthur is quite indifferent as to the choice between Bracken and Sidney Smith. He thinks these are the only real contenders. Murdo MacPherson has lost out.

Arthur seemed to have the Toronto situation pretty straight. Mitch resigned, he thinks, because he was resisted in two courses. Mitch wanted to extend the life of the legislature for another year. Nixon and Oliver and some others were opposed. There was a point of principle and also a point of political strategy. Nixon argued that in principle the gov't should go to the country and, in a practical way, Mitch could win now but might not be so well off a year hence. Mitch was opposed to an election and faced with the defection of Nixon and his friends, sought a coalition with the Tories. Most of the Tories were fairly favorable but there was some hitch, some of them weren't enthusiastic, and in a fit of pique Mitch up and quit. Arthur thinks Mitch is finished. Doesn't see how he can avoid standing by Conant in the controversy now raging re an election and a convention. If a convention is called, Mitch will have to fight for Conant, and Conant almost certainly would get licked. If there is an election, the Tories will be out on their own and if Drew would only show the wee-est bit of intelligence, could come out on top. Here, says Arthur, with Ontario turning handsprings about the issues raised by Mitch's resignation, Drew is going around the provinces making

speeches about the Hong Kong expedition, which only annoy the Grits like hell, or about reinforcements for the army and the need of conscription, which leave everybody stone-cold. Conscription, he says, is cold, stone-dead in western Ontario. The place has been bled white of manpower.

Did I ever tell you the sequel to the sad case of Maxie Cohen. Bruce has been worrying about him. His health was very bad. He was called for military service last September and pronounced category E. The doctors advised that he had serious kidney trouble, low blood-pressure, was urgently in need of a holiday and rest. Maxie sure was feeling rotten - no energy, spots on his eyes, pains in the tummy and what not. Decided that he might as well go out to Vancouver and marry the stunning blonde with much money and a great passion for him: marry and take a long rest. I met Maxie at the station the other day and complimented him on the brightness of the eye and the springiness of the step. He said he was feeling fine and was joining the army right off. Apparently there were two Maxie Cohens and the doctors got them mixed. The other one has the kidneys and the blood pressure. Maxie is A 1 plus. Marriage indefinitely postponed.

12. Letter from J.W. Dafoe to Grant Dexter, 28 November 1942 [DP, QUA].

[After the provincial election of 1922 the United Farmers' of Manitoba, elected by a narrow majority but lacking a leader, invited John Bracken to accept the leadership of their movement. It was this formula that Bracken wanted followed at the National Conservative convention in Winnipeg, December 1942. Hugh MacKay was Conservative leader in New Brunswick. John Bird wrote for the *Winnipeg Tribune*.]

This news is right from the horse's mouth: you can bank on it as being absolutely correct. I'll give you all the facts; and on them you will send us a despatch usable in the Monday evening edition. Of course you must not give the details; but you can give the outline of the story and declare that it can be relied upon.

Meighen, Hugh MacKay, and Graydon got here some days ago. Milner joined them from Edmonton. After talking things over they summoned MacPherson from Regina. When he arrived MacKay & Graydon told him what was afoot. Bracken was agreeable to the scheme on his own terms. These were that he was not to appear in the convention and submit his name to the vote. On the contrary a delegation from the

convention was to call upon him, tender him the leadership which he would accept on his own terms. He would then appear before the convention and make an acceptance speech.

MacPherson blew up and said he would not stand for it-that it would make the convention ridiculous-that it would be a parody on democratic processes-& plenty more of the same kind. He had agreed, with some reluctance, to let his name go before the convention and he wasn't prepared to let his friends down. He put up so strong a case that MacKay & Graydon agreed with him. Later on when they all got together and MacPherson let his views be known Meighen went into a towering rage; denounced him for wrecking the only plan that would save the party and the country too, if you please: and left the room in a temper. Next morning they had a further session and then MacKay & Graydon went off to see Bracken. Bracken admitted that Barkis was willing on the terms which had already been stated by Meighen. By going before the convention and entering the lists he would lose his progressive following and this would damage & perhaps destroy his victorious march to the seats of power. The formula of 1922 must be followed-on this point he was adamantine. At a further meeting of the big five MacPherson held to his contention that Bracken must come before the convention, state his views and take his chances. If he would do that MacPherson would not permit his name to go before the convention; he might even bring himself to the point of nominating Bracken. By these means agreement on a new basis was reached. Bracken would be told that the mechanics of his plan were unworkable and that if he would come before the convention his election would be a certainty. Diefenbaker and Green would be allowed to submit their names but the machine would see to it that their votes did not amount to any-thing. This being agreed upon MacKay and Graydon (& perhaps Milner too) went back to Bracken and told him what the situation was. They spent some hours with him & though they did not get his formal consent they went back to the hotel and assured Meighen that the thing was in the bag. The crowd has since separated-Graydon & MacKay have returned East I understand & MacPherson went off to Regina looking, as I am informed, like the "wrath of God". Meighen is still about-putting in some additional nails. He has not & will not see Bracken-this is so because they want to be able to say that they had no arrangement with one another. There is a go-between but I don't know who he is. John Bird was in and out of the rooms but I doubt whether any such diplomatic mission would be

entrusted to him. My informant tells me they think the thing is as good as settled, saving the remote possibility of a blow-up at the convention. It is figured out that there will not be time to organize a bolt, as the delegates will arrive uninformed and will be taken into camp by the managers. This is one reason why a little publicity may be in order.

The programme: the National Govt theme is sunk. Bracken disowns it; Meighen rejects it. The Tribune had an inspired editorial saying it is off. McCullagh phoning Victor on other matters said it was now too late for National Government. Everybody is now in line for repudiating the only thing by which the country can be saved (as per the impassioned appeals of yesterday). The Tribune is in on the deal & perhaps the rest of the Southam press. The Globe, Drew et al. are lined up. The big boys also, cheque books in hand ready to pay any ransom that will save them from King on the one hand & the socialists on the other (particularly the latter). They will agree to Bracken backing low tariff and other heresies of his Liberal progressive days. They will even stand for further trifling with the august title of the venerable party: it has had four or five of these in recent years-Liberal Conservative, National Conservative, plain Conservative, National Government and what its present name is I know not. Mud I think. Conservative-Progressive or perhaps these words reversed are to be the new title.

Well this is the dope and you can count on it. I hear that as the news gets around there are murmurings in the ranks. Senator Haig is said to be particularly incensed. I think the outlines of the new deal should be spread abroad not only because it is first-class news but for political reasons as well. Hence the little commission I am set-ting you. You will have to figure out for yourself how to make the news certain to be believed without giving particulars that would let the insiders know that somebody had blabbed.

I think stories planted in the Toronto Star and the Montreal Star for Monday evening would be worthwhile. T.A. will be interested in all this. We discussed the situation in all its aspects when he was here. ...

P.S. The CCF hasn't swept the city in the municipal elections as they confidently expected to do.

13. 17 December 1942 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar and Angus Macdonald.]

No intelligent reaction yet to Bracken's leadership. T.A. too angry to think about it in any objective sense. And he is bound that the Tories must be hurled out of the Manitoba gov't and will be keenly disappointed if this does not come to pass.

Had a long talk this morning with Angus L. who reflected the keen partisanship of Nova Scotia. The guy [Bracken] is a turncoat, a traitor, a renegade and so on. He automatically becomes discredited with Tories and Grits alike. Angus had one good crack. It would be just as reasonable, he said, for the Grits to fire King and import Wendell Willkie as their leader. I suggested that the best way of fighting Bracken was for the Liberal party to begin being really liberal-cutting tariffs and so on. He agreed but said this would be an extremely difficult thing to do under existing leadership. Has been rowing with Ralston over manpower. He says that Ralston has 180,000 active service men in Canada. Ralston gets mad if the big army is questioned. Offered to change portfolios with Angus yesterday. A dear chap, says Angus, but very stubborn.

14. 3 January 1943 [DP, QUA].
[Information in the following memorandum came from John W. Pickersgill, T.A. Crerar, Senator Norman Lambert, and Arthur MacNamara. Dexter's incredulity regarding the stories about Bracken and Meighen that he reports is probably correct. Arthur Meighen categorically denied, in conversation with Eugene Forsey in 1943, that he had been a recipient of a fund for his personal use at the time of his resignation from the Senate in November 1941 to lead the Conservative party. (Roger Graham, *Arthur Meighen, No Surrender*, vol. 3, Toronto: Clarke, Irwin, 1965, pp. 161-163.) As to Bracken, he was so short of cash when he became Conservative leader, he sold his Winnipeg house and borrowed $8,000 from F.K. Morrow, president of Loblaw's, of Toronto. The most he ever received from the Conservative party was a new automobile when he resigned. (John Kendle, *John Bracken: A Political Biography*, Toronto: University of Toronto Press, 1979, p. 242.) The Simard brothers of Sorel, J.A., J.-E., and A.L., headed Marine Industries Limited, the largest ship-building, dredging and marine repair company in Quebec. All were Liberals and strong supporters of P.J.A. Cardin throughout his political career. Gustave Monette was a Conservative party organizer in Quebec.]

... I've been hearing a good deal of reliable gossip about King's reaction to the Winnipeg convention and Bracken. He has discussed it several times with Pickersgill and once with the cabinet and at least once with T.A.

His comment on Bracken was that this was clearly a case of "ambition over-reaching itself". But he was very pleased that Bracken took the leadership. Of that there is no doubt. When Pickersgill asked him why, he explained that Bracken is a decent fellow whereas all his life, with the brief interlude when Hugh Guthrie was his opponent, the opposition has been led by a type of man whom King not only despises but finds it very difficult to deal with. Even Hanson got him down a bit. He pointed out that it might have fallen to Meighen again, or Drew.

Coming back from New York, after his speech, he told John that as events were shaping up he could see himself, very clearly, running another general election. The sooner the better. If the rejuvenated Tories begin attacking with vigor, he thinks there would be no difficulty in accommodating them. If they avoid controversy, Mr. Bracken will find himself in difficulties since a waiting game usually is best played by a leader entrenched firmly in his position and able to manage his party. Bracken, in King's judgment, also takes the steam out of the C.C.F. which was, in his opinion, dangerous only because of the collapse of the opposition and, therefore, because it could make a claim to the dissatisfied vote, regardless of policy. Now that the Tories were back on the job, King thinks that the country will not have much use for the "CCF riff-raff". I take it that King means to run another election and will accept any real challenge Bracken may make. I don't think he means to pull a fast one-unprovoked.

When the ministers called upon him at Laurier House and presented him with the silver tray etc., he told them, in a joking way, but very seriously, that they would have to face the electors again. This was a pretty hard crack for some of the ministers whose eyes have been on the Senate.

There are numberless stories current about Bracken, most of which I don't believe. Was talking with Norman Lambert Sunday, and he was telling me that O'Leary had told him that Meighen had told O'Leary that Bracken got his $150,000 security fund while in Toronto, just before he returned home prior to the convention. Meighen was somewhat disillusioned because he said that he had not yet got his indemnity for resigning from the Senate. I don't believe this story. Bill Marchington went along with McCullagh and marvelled at the freeness with which the boys whacked up. And I cannot yet really believe that Bracken has taken money or will do so. Yet F.K. Morrow has told several people that he has

put up $10,000 for the Bracken fund. Many people whose reliability can't be questioned have told me this.

There is another queer thing about Bracken. On that trip east he came to Ottawa, thence to Montreal for a day, back to Ottawa and then on to Toronto. The Quebeckers who fraternize in the trenches much more than our folk, all know that Bracken's chief business in Montreal was to see Cardin. Monette them together and they were in closet for a couple of hours. It is pointed out that Cardin was always a Tory who was a Liberal not as a matter of principle but of convenience. All Cardin's friends-like Simard, Duplessis etc., are Tories.

I wonder if Bracken will not quietly ditch the conscription issue and make a real play for Quebec, getting Cardin to join up with him. The feeling here is that the conscription issue is finished, unless there are very heavy casualties, which in turn would make it politically possible.

The manpower problem is much easier in the sense that Howe is not making the demands for increased manpower which were anticipated. This is explained on grounds that there has been some hoarding of labor by producers who felt unsure of the competence of new staffs and have disgorged, that war-industry labor is steadily becoming more efficient, and that quite a few war industries are shut down for lack of orders. An instance of the last- named is the gun plant at Regina. The explanation of these shutdowns, which are not really of large proportions, is that as U.S. production really begins to come in, very large surpluses are developing and Howe cannot get orders to keep factories running. Everybody says they have plenty of these particular lines. The most important factor, however, is that tens of thousands of farmers have moved into industry during the winter. This, also, has temporarily relieved the coal shortage. The seasonal fluctuation, of course, is only a temporary relief. The crisis will be back in even more unmanageable proportions next April.

With Howe out as a competitor, Ralston remains. He is demanding men for the army at the rate of around 300,000 per year. I had a talk with MacNamara who said that it is as yet too early to come to any judgment of how short the supply of men for the army is. He says the old National War Services Department simply sent out notices to all the men on the registration lists within the callable groups. If they did not answer the call and the notice came back undelivered, no effort was made to check up. There are 200,000 of these notices and everything depends upon how many of these men are defaulters and can be rounded up. The proportion in Quebec is not greater than in

the other provinces. As in the last war, Quebeckers have taken the legal way of avoiding military service-got exemptions etc. He hopes there will be 50,000 men in this group. I think this is over-optimistic. My guess is that most of these fellows enlisted. But it is as yet too early to form an opinion and meantime he is figuring out ways of catching them. He thinks all young men buying railway tickets, or getting ration-books-that kind of thing-should show their registration certificates. He relies on these men plus married men up to 25 years of age to keep Ralston satisfied until July.

Meantime when the picture becomes clearer he thinks Ralston will have to be met head-on and made to write down his demands. In cabinet T.A. tells me the feeling between Ralston and Howe was never so bad. Calling up married men hurts Howe like blazes, and the weight of cabinet opinion is swinging steadily against Ralston on the ground that he now has more men than he knows what to do with-180,000 active-service men in Canada still. Ralston is wobbling and may well agree to the breaking up of the eighth division. ...

15. 31 January 1943 [DP, QUA].

[Information in the following memorandum came from Carl Goldenberg, Arthur MacNamara, and John Deutsch. The British were beginning to cut back on war orders for items which they now possessed in abundance-for example, bombs, guns, and shells. (See Taylor, English History, p. 565.) By contrast, they were increasing their orders for other items they now needed urgently, such as tanks and anti-tank guns, landing craft and army-support aircraft. These items came largely from the United States, and to a lesser degree from Canada. A similar change was occurring in the United States. On 15 February 1943 Dexter reported that the "U.S. is cancelling 25 per cent of its contracts in Canada. ... They are going out of shells and guns and explosives and, to some extent, cargo vessels and into corvettes, small naval craft etc."]

I have been busting around trying to clean up the manpower job... Enclosed are two pieces and the last will go forward tomorrow. I try to explain the crisis of last fall, why it passed over, but why it is certain to recur this spring and be deadlier than ever this summer.

There is a catch in this. I have been going over the ground very carefully with Goldenberg, MacNamara and, above all, John Deutsch-who was the manpower economist on Selective Service up until a few weeks ago. The British are not renewing contracts, regardless of the fact that they are getting the stuff for nothing. They appear to think that the war is in the final phase, at least far enough advanced to enable them to

cut down production in many lines. As between cutting it down at home and creating unemployment and cutting it out in Canada-notwithstanding that our stuff is free-they appear to prefer the latter. I think Howe must go ahead on our own account.

Howe is likely to take umbrage at this argument since there are no public facts to go on and he cannot be disputed in open argument. I think, however, you could comment on the alternatives, as all three lads put them to me. I think we must go ahead on our own.

There is no doubt in Deutsch's mind that the manpower crisis ahead will be much worse than the one last fall.

16.12 February 1943 [DP, QUA].

[Information in the following memorandum came from L.B. Pearson, counsellor at the Canadian Legation in Washington, and T.A. Crerar. This memorandum reflects a new euphoria among the Allies as a result of the victory of the Red Army over the Germans at Stalingrad and perhaps also the earlier victory of General Montgomery's Eighth Army over Rommel at Alamein. When Dexter reports the apprehension that war will end and "our dagger at the heart of Berlin still unsheathed," he is deliberately echoing General McNaughton who had described the Canadian army in Britain as "a dagger pointed at the heart of Berlin." Churchill and Roosevelt meeting at Casablanca in January 1943 agreed that the Mediterranean campaign, progressing less quickly than hoped, would proceed until Sicily was conquered. This meant that invasion of France was impossible in 1943. Supporters of the single transferable vote hoped to give fair representation in the legislature to substantial minorities.]

. .. Had a long talk with Mike Pearson who said that the information at Washington is that the Russians regard Hitler as about finished. They are certain that they will beat Germany this year, with out a second front, and probably by early summer. The British and U.S. general staffs, he says, don't know how to figure the Russians but there is growing alarm at Ottawa and at Canadian Military Headquarters [*in London*] about the possibility that the war will end and our dagger at the heart of Berlin still unsheathed. This, Mike thinks, would be a disaster and he blames McNaughton, who has always insisted on our army fighting as a unit. The British, hitherto, have been unable to undertake to keep army units intact and hence we did not go to Egypt. Mike has been told by ranking British generals, visiting Washington, that for this reason the Canadian army has been written off as a home defence unit, or as unusable until the continent is invaded at some point contiguous to England.

T.A. tells me that all the official information now reaching King re the European war is tremendously optimistic. Germany's troubles are multiplying in every occupied country. Sabotage within Germany is growing daily. The German people are dispirited. The cream of the army is gone. I've had the idea, right along, that Germany would not survive this year, but my mind has run to November or December. The whole thing turns upon psychological considerations, but we shouldn't be surprised if things begin to break in a big way.

Mike said the decision at Casablanca was to mark time in Tunisia until sufficient strength was available not only to clean up Rommel and von Arnim, or whatever his name is, but also to make the jump across to Europe [*from North Africa*]. There will be very little delay at the second stage. He didn't know when the guns would begin to go off, but thought it might not be for three or four months.

He agreed that the date set for the invasion from England is May.

17. 24 February 1943 [DP, QUA].

[Information in the following memorandum came from C.G. Power. Cardin's motion of 18 February 1943 to suspend Bill 80 was defeated by 195 to 15. (See memorandum of 3 March 1943.)]

Talk with Chubby-looking very fit, though a pasty color. His operation obviously has done him a great deal of good.

He thinks Cardin is finished and will go snooks with Duplessis as the only way in which he can operate politically. But he doubts if Cardin will ever publicly say he is not a Liberal or ever come out openly for Duplessis. He will back Duplessis behind the scenes, help raise money, and put up independent Liberals against Godbout candidates-with the idea of splitting the government vote and beating Godbout.

Cardin has struck oil, moneywise, and almost certainly it is coming from Simards and the power trust. Also Cardin is closely in touch with Hepburn.

Godbout a very difficult man to advise. He wants to hold an election early this year. His government is very unpopular because, in Chubby's opinion, it has been too virtuous a government-no jobs, no corruption of any kind, no pap for the faithful, no udder to be milked. Their advice to Godbout is to hold off at least until the fall. Raymond's movement will help Godbout, since it will tend to divide the nationalist vote. But

Raymond has had an attack of acute indigestion which he thinks is heart trouble and is scared stiff. Godbout must wait until Raymond recovers and makes more head-way politically in Quebec.

Chubby very pleased at the vote on Cardin's amendment. The Quebec Liberals stood pat, burnt their bridges, must now fight the nationalists for self-survival. A good stroke of business for national unity.

His own feeling re Quebec is that opinion is much more favorable to the Federal government than last summer and improving steadily. Godbout will share this revival. If the war ends without conscription, it will be a hands-down win for King as well as for Godbout - nothing to it. But he isn't sure that the end of the war is in sight or that we won't have terrific casualties before it does come. He says there is quite a stirring for proportional representation-or rather the single transferable vote. All kinds of guys are suddenly discovering that they always stood for it. King, for example, who has suggested to Chubby that the proposition be reconsidered. Chubby says he was always in favor of it too. So was Lapointe, though Ernest always insisted that it would lose seats in Quebec and therefore, while eminently desirable in a theoretical way, could not be considered as immediately practicable.

Chubby says there's no chance of getting the single transferable ballot through the House. It makes no difference, he says, what stripe a chap is-communist, socialist, liberal or tory - they are all desperate conservatives when it comes to their own seat. The system as it is, is the system under which they got elected and they are never sure that a change might not be for the worse. ...

18. 1 March 1943 [DP, QUA].
[Information in the following memorandum came from M.J. Coldwell.]

I've done a piece on the CCF which is enclosed. It isn't much of a piece and I felt a little bad about it because Coldwell asked me particularly not to write it.

We talked about the CCF and future prospects. What does Coldwell believe in? Does he believe in outright socialism? and so on. As before, he wasn't at all sure what the CCF platform means in a practical way. He thought the platform was not very socialistic, really, and suggested that its terms were vague. Bruce took issue with him and, later on, when they

went bloodhounding through the Regina manifesto, Coldwell admitted that it was much more extreme than he recalled and he hoped it would be watered down.

Coldwell is a left-wing Liberal. He believes in socialism but only as a chart. The goal of the socialized state, in his judgment, is sixty and more years in the future. In the meantime the two systems must operate side by side and since they are not mutually destructive the gradual evolution would be beneficial all round. He agrees that this is not the view of the bulk of his followers. They are very decent, lovely people but very difficult to live with.

His opinion is that the CCF was born as a movement of protest, under the leadership of a great humanist who had no clear ideas on policy and knew nothing at all about economics. Under Woodsworth, the party protested about everything that seemed to cause hardship. It was so small and uninfluential that there was never any need of agreeing to policy, of deciding what precisely the party stood for.

Since 1940, the party has grown rapidly and has reached the point where the people want to know what the CCF does stand for. The process of transformation from a movement of protest into a political party with clearly defined purposes is underway and is proving to be painful. There is a large proportion of outright uncompromising socialists at the heart of the movement. They tend distressingly to be professorial. They accept his leadership and do not quarrel unduly over his speeches, but they go their own way just the same and they talk in quite different terms from him. Their idea is that the party stays true-blue socialist, enduring small rations and hardship until the great morning breaks and they achieve power with a solid majority of stainlessly pure socialists at their back.

Coldwell thinks this is nuts. He believes that the CCF will never achieve power as a party. It has quite a different future. As it grows it will tend to divide into moderates and extremists. The impact of its growth on the Liberal party will cause Liberalism to slough off the tough tory wing which, too often, has dominated its policies. There will naturally be a fusion of the moderate CCF's with the centre - and left-Liberals, thus producing a more virile Liberal party. If, by rea-son of a sudden and violent change of public opinion, the CCF achieved power before this process was complete, it would in practice behave precisely as the Labor party in England behaved. It would be much more Liberal than socialist.

Since the exposure of differences of view could only make his own position more difficult, he was all against publishing quotations etc.

showing this division. But since we took these divisions to him for explanation, we are in no way bound to accept his wish.

19. 3 March 1943 [DP, QUA].

[Information in the following memorandum came from Louis St. Laurent.

Maxime Raymond, Liberal MP for Beauharnois-Laprairie, became federal leader of the Bloc Populaire Canadien, an uneasy coalition of traditional and reformist nationalists, founded in October 1942 in protest against Bill 80 and overseas conscription. Immediately after the defeat of Cardin's motion on 23 February, the Conservative MP for Gaspe, J. Sasseville Roy, presented a motion calling upon the government to stop all anti-Catholic propaganda in Canada. The motion was aimed at Reverend T.T. Shields of Toronto, but its real purpose was to rally support in Quebec against English-speaking Canada. In May 1916 Ernest Lapointe had introduced in the House of Commons a resolution deploring Regulation 17 which had severely restricted the use of French as a language of instruction in the schools of Ontario since 1912.]

Very optimistic in a quiet sort of way. The situation in Quebec is greatly improved. All his hopes of a year ago and more have been realized and while there are still great dangers in the path, the worst is over.

The Cardin motion broke the truce. From the plebiscite vote through Bill 80, until Cardin struck, the Quebec Liberals had wavered; kept their tails down. The plebiscite had been a shock to them; a wave of mistrust of King had swept across the province while Bill 80 was under debate. They feared that conscription was about to happen. King having kept his word and the conscription cry in English-speaking Canada having died down, they have gradually been recovering confidence and they have been thinking about their position, Quebec's position.

No pressure was put on them when Cardin's amendment came to the vote. Actually Cardin only nicked the government for two votes in addition to his own and these two-Crete and Sarto Fournier of Maisonneuve-Rosemont-have since regretted bolting and will drift back to the government caucus. The decision to break with Cardin meant that they [*the Quebec Liberal MPs*] must now fight for the King policy. They knew this and public meetings were again becoming the order of week-ends in rural Quebec. The Liberals were taking the offensive and were winning ground steadily.

They are greatly helped in this by the lack of unanimity among the nationalists. Cardin disagrees with Raymond, and the other mug-wumps disagree with both Cardin and Raymond. This tends, and strongly, to

cause the electors to dismiss them as selfish chaps out for their own profit.

Anyone mixing about with the Quebec Liberals would find out that the big change in their mental outlook is this: they have turned against any idea of separatism, of Laurentia. There is no hope for Quebec as a nation within a nation. Nationalism is suicide for Quebec and for the rest of the country. They are Canadians and must play their parts as such.

St. Laurent believes that the first important moves along this line are already distinguishable. He was frankly terrified by what might happen on the motion to prosecute Shields-which came from the nationalists. Here was the same sort of dynamite as Lapointe had found in Regulation 17 in 1916. Lapointe threw that issue into the Commons and Quebec rallied to the attack to the last man. It became a great concentrating force in Quebec. To his astonishment the nationalists could only gather a handful of votes on the Shields motion - not as many as Cardin got for his amendment. The Liberals from Quebec dislike Shields but regarded the whole thing as small potatoes.

That is one very important revelation of the new attitude. The other is in Quebec where Godbout has decided that the right and only thing to do is to face the nationalists in a provincial election and fight it out. Godbout's speech was the direct consequence of Cardin's failure. He [St. Laurent] told me that when he had finished Godbout got an ovation which was without parallel in the legislature: it was immense.

Godbout's desire is to dissolve the legislature before the Canadian army gets into action and to ignore small issues like roads and public buildings and patronage troubles, and make the issue Canadian unity versus separatism. He wants to meet Duplessis and Raymond head on. And he is sure he can win. St. Laurent agrees with him. Chubby, you will recall, thinks otherwise.

I got the very clear intimation that Godbout has been encouraged to go ahead and that a dissolution will follow this session of the legislature. I suppose he is talking of an election in May or June.

St. Laurent isn't greatly disturbed about whether or no overseas conscription will become necessary. He is inclined to think it will never be applied because the shipping situation is such that we are sending all the troops to England we can send and there is no hope of shipping facilities being increased. The U.S. is taking all the ships for its programme.

But anyhow, overseas conscription is not the big question. The big question is whether or no Quebec is really part of Canada and so believes. Once the nationalists are licked, there would be no trouble over conscription provided the need for it was proved. Quebec, he says, is satisfied that the government has played fair in this war and is reaching the point where it trusts Ottawa. My own feeling is that this is almost too good to be true. The facts, so far as they are avail-able, support St. Laurent to the hilt. He agrees that the ban on com-munists should be lifted but will not do so until the Quebec situation is cleared up. He thinks it would be crazy to give such a club to Duplessis and the nationalists at this time.

20. 5 March 1943 [DP, QUA].

[Information in the following memorandum came from Irene Spry, an economist with the Wartime Prices and Trade Board. Regarding the wage ceiling: Humphrey Mitchell, minister of labour, warned the House of Commons that "unless every class in the community rallies behind ... wage control, I am fearful whether we shall be able to hold it." (unrevised Hansard, 1943, p. 348.) In the *Free Press* of 29 March 1943 Dexter reported that in the debate on the address King and Mitchell had "declared, on behalf of the government, that unless the Opposition supported the ceilings, the government would not continue to enforce them."]

... The more I think about the budget the more alarmed I become. In fact the government flinched from carrying on with its resolute anti-inflation policy. We are going to get much more inflation in the coming year and borrowing from the banks will go up. I think if the government had been as courageous as in the past there would have been a much stiffer increase in taxation or compulsory savings. Ilsley would not have sat tight and let the avalanche build up.

Nosing around among the ministers and the experts, I find that the reason why sterner action was not taken was that the government was afraid of the House of Commons. The Opposition has been raising hell with the ceilings since the session began. They are busy telling labor that they should have more wages and farmers that they should have higher prices, and the government wasn't prepared to take it on the chin while its opponents cashed in politically on the war controls.

The idea behind the budget is that inflationary forces will rapidly increase, as government borrowing proceeds, and that shortages will develop very rapidly over the whole field of consumer goods. As and when this happens, the government will go in for rationing in a big way and, I suspect, will try to take the edge off the opposition by handing out

price increases by subsidies. The wage ceiling will also deteriorate steadily but I don't know what the answer will be here. That is, the plan will be to give ground on the price ceiling but make a stand on rationing.

Irene Spry and other brain trusters tell me that rationing experience to date shows that there are great difficulties of administration due to the sparse population over a vast area; danger of black markets on foodstuffs because such a high proportion of our population is in the production end; and extravagant use of manpower in administering rationing.

I think that King should be boiled in oil for saying what he did about the ceilings, also Hump Mitchell for what he said of the wage ceiling. But at the same time it is clear that Wullie has no mind to crucify himself in defence of economic controls which, politically, are expensive.

Will try to do a piece on the politics of the budget, pointing out that the Opposition groups in their advocacy of wide open inflation have already greatly influenced govt policy; that the govt will not let the opposition run wild while it sticks the old nose on the grind-stone; that, as a result, we are now at the point where the front line is rationing. Even here, of course, Graydon is opposed. ...

21. Letter from Grant Dexter to George Ferguson, 30 March 1943 [DP, QUA].

[Walter Thompson, the CPR public relations man, had used the expression, "accept the club foot," in conversation with George Ferguson in July 1942. (Ferguson to Dexter, 16 July 1942, DP, QUA). Gordon Ross was Liberal MP for Moose Jaw.]

Herewith two additional pieces on total war which complete the argument and clear the way for conclusions. It may be better to express these conclusions editorially. ...

The moral of the story, it seems to me, is that the government failed time and again to build up an adequate manpower administrative machine. That has now been remedied, although it will be exceedingly difficult, as you point out, to recover the lost ground. How do you make guys go back to the farm?

It seems to me, however, that a fundamental point is that the government laid aside the natural instrument of manpower mobilization when it put in the price and wage ceilings. Evidently this was not realized at the time. It meant that higher prices and wages could not be used to attract workers to essential industries. Logically, it should have

followed that compulsion would be necessary, or at least much more effective controls than were attempted. Otherwise, the profit motive would operate, as it did, against war mobilization. Workers would naturally drift to higher pay and/or easier work.

I am exceedingly nervous about the public reaction to the anti-inflation policy which the Tories are now working on. The Tories will argue that the present policy makes a breakdown and inflation inevitable; that price must be used to obtain greater output of foods [*goods*?]. They will says this is the only hope of heading off the disaster. And don't you think that the only answer the government has to this argument is that compulsion will be used? I am aware of the fact that in these pieces we have got hold of another aspect of the inflation problem. I agree that total war isn't the proper title. This is just a part of the broad mobilization problem which, failing a solution, will result in a breakdown of the present structure. ...

I agree with your discussion of total war. If we had planned a self-contained effort, the line of development would have been very different. But I know you agree that we did the right thing in trying to fit our economy and resources into the United Nations' picture.

I do not know whether it is quite true to say that we overlooked the need for a backlog of food. I think the govt always asked for greater production. Certainly the govt never took the steps necessary to make sure of it-retaining labor on the farms.

Yes, the point in these pieces is that we should not have allowed the great war boom to develop. We should have shut down non-essential industries and in this way-in the absence of price competition-forced people into essential lines. That is a counsel of perfection. I admit that I cannot conceive of any govt being able to make it stick.

I haven't tried to rationalize Quebec. I assume that you can't make people fight who don't want to fight and that, as Walter T put it, we must accept the club foot and do the best we can.

The sum-up, it seems to me, should be to point out the great peril of going on as we are and the need for positive action to use our manpower efficiently. I am impressed, for example, with the figures given by Gordon Ross in the budget debate. He shows that the present production programmes in the U.S. and Canada mean an increase in the consumption of feed grains, including wheat, of one billion bushels per year; that with all the luck in the world we face an acute shortage all along the line within two years. Crop failures would shorten this period. .

As soon as Bracken is home I'll talk with him but I see ever more clearly the line he will ultimately take. And you can't deny that there is some sense in it. In essence the idea is to use price to obtain output, and the argument will be that greater output will check inflation. Patriotism and votes are well blended in this line; it is extremely dangerous in my judgment. After talking with Ilsley I am inclined to think that if the Tories get tough enough the govt will fall in line. Once they start the price-increase racket I can't see the end of it. ...

22.21 March 1943 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Ian Mackenzie, and Stuart Garson, Bracken's successor as premier of Manitoba. Early in 1941 Ian Mackenzie secured the establishment of the Committee on Reconstruction to consider problems of postwar reconstruction and suggest solutions. Headed by Principal F. Cyril James of McGill, Leonard C. Marsh, active in the LSR and sympathetic to the CCF, was its research director. Early in 1943 the Economic Advisory Committee established its own planning body under W.A. Mackintosh to deal with postwar reconstruction. Though seemingly outflanked, the James committee produced the Marsh report, recommending a comprehensive social security plan for Canada along the same lines as the Beveridge Report planned for Great Britain. The Marsh report stole the spotlight from the moment it became public on 16 March 1943, occasioning a certain amount of jealousy and pique among politicians and bureaucrats alike.]

... Have been trying to unravel the social security tangle with the idea of writing. Hope to get into action tonight, although I am still not quite clear as to what has happened. ...

I'm not clear on the social security avalanche, except that I've been talking with Ian Mackenzie and his crowd. Ian is like the monkey that sat down on the lawnmower. You can hear him screaming two blocks away.

The government as a whole isn't too enthusiastic on social security and certainly there ain't going to be any this session. Ian, how-ever, has always been smarting over his demotion in favor of Norman Rogers and he has wanted to make a really big splash in his new portfolio. Also the C.C.F. in B.C. is pressing hard and there was a need of some offset to their socialistic oratory.

Originally, as you know, the social security committee under Cyril James functioned under Ian Mackenzie's department. But as things got hotter, the brain trust insisted on taking it away from Ian and James, and so it was transferred in January to Willie, thus letting Clark, Towers et al. in on the ground floor.

Ian set his heart on a health insurance scheme and has had all his lads working very hard on it for many months. They have done a great deal of work and much consulting with representative groups-manufacturers, medicos, labor etc. etc.

But at some point... somebody seems to have suggested that it would be a nice idea to figure out what the Beveridge report would cost in Canada. The job was given to Marsh but without any serious idea behind it. The govt never dreamed of launching out on any programme of this kind.

Ian wasn't aware that the report was to be more than a confidential one and he had no idea it had been completed until last Thursday. Meantime he had set the stage very carefully for his health measure, a practical measure which he hoped to get through this session.

Last Thursday [*15 March*] James was called as a witness by the House of Commons social security committee. James hadn't any-thing to say but in passing through the offices in the Daly building occupied by the James committee he ran into Marsh's report and thought this would be a good thing to chuck at the House of Commons committee. So he picked up a copy and gave it to the lads. The newspapers charged in for the detail. Ian heard of it and went in desperation to King. This must be stopped. There wasn't anything practical in the Marsh report-a mere essay on an "if" theme. King stopped the publication of the report but there was an outcry and the thing just had to come out. A release date was fixed for Tuesday in order to let Ian have an even break. The final touches were put on the health insurance bill and the two came together. Marsh's report, however, stole the whole show. The health bill, which is the only real thing in the lot, was completely ignored in the newspapers, and Ian's heart is broke. He claims that he has been hijacked by the bloody brain trust of the East Block; that the plan of Clark and the others is to make a laughing stock out of the whole business. He has been robbed of the fruit of much toil. He has been outraged. Moreover the Marsh report disagrees with his bill. Marsh comes down for a federal health insurance scheme, whereas his is a grants-in-aid [*plan to be administered by the provinces*].

I am not clear as to whether all this just happened naturally or whether there has been a bit of U-boat activity around the Hill. I think the whole thing is a good story, apart altogether from the reports, but would like to be just a little surer before writing. ...

23. 5 April 1943 [DP, QUA].

[Information in the following memorandum came from Norman Robertson and Hume Wrong. Chester Bloom, Washington correspondent of the *Free Press*, wrote three letters to J.W. Dafoe in February-March 1943 which have not survived in the Dafoe or Dexter papers. It may be inferred from related letters that Bloom complained that Canada's national position and interests were not being recognized in Washington in the composition of the international war boards and in the central committee of the United Nations Relief Organization (UNRRA). Dafoe asked Dexter to read the letters and to investigate the Ottawa side of the story. What follows is Dexter's memorandum on the subject. Claude R. Wickard was U.S. secretary of agriculture; Sumner Welles was U.S. undersecretary of state; and William L. Batt was chairman, U.S. War Production Board. L.D. Wilgress was Canadian minister to the Soviet Union.]

... Our chaps in External Affairs, Norman R., Hume Wrong etc. are very critical of Mr. McCarthy. They think our ministerial representation at Washington is little short of tragic and apparently Mike Pearson is doing much complaining on this score. Mike is doing a good job but McCarthy really sees no one, and Mike cannot reach the top-flight of the government at Washington. McCarthy must do this work but apart from occasional chats with Roosevelt, he sees nobody. I was told that McCarthy had not conferred with Hull for upwards of six months. They meet only occasionally and at social functions. McCarthy does not get along with Halifax which blocks off the British end. The real work at Washington is being done by Mike, but Mike can only get up to his own level, with the result that decisions are often made before he finds out what is afoot.

Our lads, here, insist that Chester Bloom's criticism is entirely unwarranted and arises, chiefly, out of the fact that Canada won't play ball 100 per cent with the Americans. They say that we are following a distinctive Canadian policy, based on enlightened self-interest, but that Mr. King must be careful in pushing purely national policies too far.

Hume went over the ground rather carefully and I will pass what he said along, as best I can remember it. The difficulties arise, of course, largely in the field of war and postwar organizations and this field is covered by the six combined boards. These boards are: the Chief of Staffs Board; the Munitions Assignment Board; the Shipping Board; the Food Board; the Raw Materials Board; the Resources and Production Board.

Our attitude has varied with the nature of the work to be done by these boards. The Chief of Staffs Board is really directing the war from a military, naval and air point of view and we have never considered that

we should belong to it. But as the nation with the second largest surplus of munitions, we put in a strong bid for a seat on the Munitions Assignment Board. After much hard fighting the British agreed to support our claim but the U.S. opposed on the ground that other nations would have to be let in. A compromise was figured out under which we would sit in as a member when Canadian production was being allocated. We could have got this if Ralston and Howe could have agreed as to which of them was top dog. You are familiar-certainly Victor is-with the Ralston-Howe controversy. At last, Ralston and Howe agreed but their agreement was the status quo-we would not become a member under any circumstances. This was resented by the lads who had done the fighting but nothing could be done about it.

Howe, it seems, had another card up his sleeve. He brought for-ward our Munitions Aid Committee, to allocate the $1,000 million gift to the United Nations. In doing so he wanted the committee to be completely a Munitions and Supply body, and the idea was that this committee would function closely with the Munitions Assignment Board and that, in this way, he would win over Ralston-since the Munitions Assignment Board would not do any-thing of importance without consulting the Canadian board. He would have won this fight had not External Affairs and King prodded Ralston into a fight which has resulted in our committee being inter-departmental, sitting in the Privy Council, with Privy Council secretariat etc. Howe is to be chairman, however, and Ralston a member. So that Howe really has won his point.

We are not greatly interested in Shipping in the war but may well be in the postwar period. We have waived no claims nor made any with respect to this committee.

But we are claiming a seat on the Food Board. Brand is the British chairman and Wickard the U.S. chairman (Washington end). In the early months both the U.S. and the U.K. opposed us. The U.S. didn't give any reason. They just stonewalled us. Brand was embarrassed but argued that he couldn't very well support us without antagonizing the U.S. and the British had high hopes of getting plenty of food from the U.S. The U.S., however, has fallen down on food shipments to Britain whereas we are doing well. This has influenced Brand somewhat.

Our govt has now suggested this compromise: the main Food Board should be made a formal body, and there should be a sub-committee on each important commodity. This would mean about a dozen sub-committees. We would have a seat on all the sub-committees dealing

with commodities in which we are interested. The reaction to this proposal has been favorable as far as the Department of External Affairs can find out. The great difficulty is that McCarthy will not go and see people. He won't do his job, which is to discuss such matters with cabinet ministers and departmental heads like Sumner Welles. Mike keeps them informed but there may be important differences in the reaction of the people Mike deals with and the big shots.

Raw Materials Board-we are not interested. We have our own U.S.-Canada committee here, with Herbie Symington and Batt as the chiefs and have no need of membership in the other.

Resources and Production Board-Howe is now a member.

There is a further committee now in the process of being formed and great difficulties are being encountered. This is the Relief Administration Committee of the United Nations. We definitely have asked for a place on it. The British advocated a seven-man committee, including the big four [USA, UK, USSR, China], Canada, Australia and Brazil. The U.S. favored a four-man committee-the big four. ...

The U.S. supported its position by arguing that Russia was adamant in opposition to any small nation having representation. But I am told by all the boys that it is not true to say that Russia denies the autonomy of the Dominions. McCarthy, I gather, is strongly anti-Russia and is never to be relied upon in any opinions in this field.

Wilgress informs External Affairs that Russia's entire attitude to the whole problem of United Nations organization is political-not realistic in a functional sense. Russia is not well informed on the British Commonwealth in a constitutional sense but has never made the argument attributed to her in Chester's letters. Also, and I was very interested to hear it, Russia has not ruled out a post-war Poland, Czechoslovakia, Estonia etc. What Russia insists upon is that she must deal with the post-war revival of these buffer states. She does not want them to be popping up on United Nations committees and thus getting into a position to make territorial demands. Hence, Russia's antagonism to including Canada or any other small nation on the relief committee is not aimed directly at Canada, Brazil, Australia or any nation except these buffer ones.

To get around this difficulty the suggestion has been made-and I think by Wilgress either off his own bat or on the suggestion of the Russian government-of a change in organization. The nature of this change makes it pretty clear that Russia has been consulted, if she is not the real author. The real work of this committee during the war will be to

supply food to nations after they are rescued from the enemy and, later on to feed all needy countries. The proposal, and our government is sponsoring it, is that another committee be created under the title of the Committee of Supplier Nations. This may be a sub-committee though I understand there are to be seven members-the big four, Canada, Australia and Brazil. 1 don't see how they get China into it, except that perhaps the needy nations would like to be in close association with those who have the surpluses. We are suggesting that we should be chairman and the idea is going over very well. Again, the favorable reception is reported only from Mike's level of contacts. Apparently Russia is not objecting and the British would be okeh. ...

The general point of view, here, is that we have been doing fairly well in standing up for Canada's interests. It is a matter of judgment as to how far the government should go, to what lengths it should go in insisting upon the adoption of its viewpoint. Mr. King's line is that the necessity of winning the war must never be forgotten. I was cheered to learn, however, that in the relief committee row the cabinet was much more insistent on having our point of view pressed than External Affairs. Apparently some of the ministers called Norman Roberton an "appeaser" when he was discussing the matter with the war committee. ...

I hear on pretty good authority that there is much frustration among the Tory members because Bracken will not make up his mind where he stands with respect to prices. They have produced an alternative policy to the price ceiling but he has scotched it. He first accepted it and was supposed to make a big speech announcing it while in Quebec. He has returned without making the speech and with his mind made up against announcing any policy. This leaves the Tories in the house in a very difficult position. Bracken also scolded them for talking too much. He told them that time and again in Manitoba, when his stock was going down, the Opposition would make some fool play which would enable him to restore his position. This, he suggested, was what they are doing for King. They should keep their mouths shut and let the government make the mistakes. The advice isn't regarded as being practical. These boys have got to keep up their end. They can't sit mum and let the CCF monopolize the debates.

The alternative policy, in which Bracken played a decisive part, was to hold the wage ceiling and increase farm prices. The idea was to attract manpower back to the farms, ease our shortages and thus our control

problem. This apparently suited Bracken's idea of get-ting the farm vote but for some reason he has changed his mind.

24. 10 May 1943 [DP, QUA].
[Information in the following memorandum came from Major General H.J. Riley.]

... Harold Riley is intensely unhappy and I think has about made up his mind to go home, come July, whether or no Hump Mitchell and the departmental heads agree. The manpower problem has reached the crisis and he is certainly not optimistic about the future. If he had any power or authority to act with respect to manpower, I think he would be glad to stay on and do his best. But he has absolutely no power and thinks that he is being used, and rather unfairly, by MacNamara and Mitchell. Perhaps this is not properly phrased. He thinks, and I agree, that past spills like the Little one have made it hard for the department to face further resignations for cause, or, indeed, on any account. If he could slip away home quietly and no questions asked, he thinks that MacNamara would gladly let him go. But in the existing circumstances this is impossible and MacNamara desires him to stick around, even though he has no work to do, rather than add to the weight of criticism against the department by pulling out.

Recruiting is speedily drying up. The freezing of agriculture, mining, lumbering, and key men (some 170,000 in the latter category) has left few fit men in the callable categories. The result is that the inflow of men into the home defence and overseas armies has rapidly diminished. The round figures are 17,000 in January; 15,000 in February; 11,000 in March; still fewer in April and again fewer in May. Ralston is very worked up about the failure to find men and has been protesting to Riley. The programme calls for about 17,500 per month. ... Ralston was to obtain a minimum of 42,000 for the home defence establishment in the four months ending April 30. Actually he got only 26,000 but Riley's judgment is that he will not resign. He seems to be building up an alibi for himself by going on the record against the freezes and against the failure to meet the monthly quotas. It is evident, however, that the Labor Department is more afraid of Howe and Gardiner than of Ralston and the policy is being loaded definitely in favor of freezes.

In terms of power, MacNamara is holding all of it in his own hands. Riley's job is routine. He gets the demands from National Defence, and

he sends out the slips to the available categories. All power to deal with postponements, to administer the freezes, to effect transfers, is retained by MacNamara. And since there are very few left in the available categories, Riley's job is largely clerical.

In his view, the manpower problem can only be solved - or rather the situation held - by a vast number of transfers, backed by compulsory power. To release fit men for service it is now necessary to transfer unfit men from non-essential to essential work, and both to compel the unfit men to move and the fit men to join up. The difficulties involved are very great. There are all manner of pay differentials to grapple with, questions of physical transfer from one town to another and so on. Thus to take unfit men now in industry earning $5 per day and return them to the farm-so that fit men now on the land may be put into uniform - will take a very firm hand indeed. Riley does not think MacNamara has the strength to do this and, in any event, he does not think that MacNamara's organization is competent to do it. The labor exchanges are still very badly staffed.

This is essentially the problem Geo and I talked about when he was here. It is steadily becoming more critical and the odd thing is that as Howe cuts down war industry, few fit men are released. Employers let out the unfit men and hang on to the fit ones. They know they can always get the others back, if new orders turn up.

There is, of course, no lack of men in the army. He agrees with that. But he does think that the maximum number of fit men should be put into uniform. When the army goes into action, all of them will be needed.

The general impression is that Ralston will not carry his fight to the point of resignation.

There are signs that MacNamara is meeting the farm labor short-age but I am told that this is being done in part at the expense of mining and lumbering and that a more acute coal shortage is inevitable next winter.

CHAPTER VI

BEGINNINGS AND ENDINGS: POSTWAR PLANNING AND THE SECOND CONSCRIPTION CRISIS, SEPTEMBER 1943 TO JUNE 1945

The memoranda written between September 1943 and June 1945 coincide with the final stages of the Second World War. In 1943 the Allied Powers took the offensive in every theatre. In July the Anglo-American assault on Sicily overthrew Mussolini, and the Italian government surrendered after the invasion of the mainland in September. Yet Italy was not easily conquered. Hitler rushed in German reinforcements to contest the Allied advance through the autumn and winter of 1943-1944. In November American forces also opened a major offensive in the Central Pacific. They began a series of island- hopping operations, landing on the Gilbert Islands. They then swept west and north to the Marshall Islands and to the Marianas, from where Tokyo could be attacked by American bombers and assaults on the Philippines could be planned. On the Eastern Front larger operations were under way. The Soviet Union had borne the main brunt of Nazi aggression since 1941, but the Soviets recruited and equipped 6.5 million men to oppose the Axis army of nearly 5 million that confronted them. The Red Army seized the initiative at every opportunity, and they expelled the Germans from Russian soil in a series of great pincer movements that began in November 1943. By June 1944 the Russians had penetrated pre-war Poland and Rumania, and stood poised for a final drive to Berlin. Rome was not liberated until 4 June 1944, just two days before D-Day.

Detailed plans for Operation Overlord, code name for the great cross-channel invasion of western Europe, had been approved by Roosevelt and Churchill at a conference in Quebec City in August 1943. The date set for D-Day was 1 May 1944, although Churchill preferred a more flexible strategy so as to exploit new invasion

opportunities in the Mediterranean and the Balkans. Roosevelt and his advisers insisted, however, that Overlord be given top priority, and their decision was endorsed by Stalin at a tripartite conference in Teheran in November.

The D-Day landings in Normandy on 6 June 1944 put ashore 156,000 American, British, and Canadian troops. Three days later the bridgeheads were consolidated, but for the next six weeks German forces managed to confine the invaders to their initial area. By 25 July there were 1.45 million Allied troops in France, and they began a vast sweep to the northeast. Paris was liberated on 15 August, and German troops were cleared out of Normandy and northern France by the end of the month. Allied troops landed in the south of France on 15 August, and they liberated Marseilles and Toulon within a fortnight.

However, victory was not yet assured. A northern thrust to out-flank the Siegfried line and seize several bridges over the Rhine failed at Arnhem. By the end of September Germany's western defences were stabilized, and German armies launched a counter-offensive in the Ardennes in December. This proved to be Hitler's last land offen-sive in the west. Early in 1945 the Allied Powers resumed the offen-sive on both eastern and western fronts. In February at Yalta, Stalin promised Roosevelt and Churchilll that he would enter the war against Japan within two or three months of the German surrender. In March Eisenhower's troops crossed the Rhine and occupied Cologne and Frankfurt, while the Red Army captured Brandenburg, occupied Danzig, and entered Austria. On 25 April Berlin was completely encircled by units of the Red Army and four days later Hitler commit-ted suicide. On 7 May German emissaries signed the surrender docu-ment at Eisenhower's headquarters in Rheims.

The Dexter memoranda seldom deal with these momentous events. As has already been observed, Dexter was reporting on the Ottawa scene; he was not a war correspondent. Moreover, the inten sity of Ottawa's preoccupation with domestic politics seems to have broken all previous records, notable as they are. George Ferguson interpreted this renewed interest in domestic politics as a kind of euphoria brought on by imminent victory. In a letter to Grant Dexter on 4 September 1943, he wrote:

> The country, I think, has gone to hell in a hack. It may come back, but the more good news we get, the less likely it is to respond. All the evidence points to the fact that, so far as the rank & file is concerned, the war is over. Everyone is now jockeying to get next to Santa Claus when the presents are opened.

If Ferguson was right about the mood of the Canadian people-and very likely he was-then Dexter's comment that "the government is preoccupied almost completely by the woeful results" of the four by-elections in August and the Ontario provincial election is comprehensible. These events seemed to substantiate the fear that "the government has lost the confidence of the country." The Canadian public seemed uninterested in external affairs even though members of the Liberal government had just returned from the Quebec conference between Churchill and Roosevelt. Canadian officials who were excluded from discussions of strategy had the general impression that everything was "splendidly favorable." The Liberals' interpretation of events is not so surprising: The domestic scene cried out for their attention; on the world stage they did not appear to have a real role.

In September 1943, the Liberals began to assemble a programme designed to win the election which would take place once victory in Europe was achieved. For the most part, the authors of the new pro gramme were not the leading Liberals in the cabinet because they were "burnt out men. They are finished except that they can run the war."[1] WA. Mackintosh made the point in a lower key: "over the past year the cabinet has lost its constructive power [but, he added] the brain trust hasn't lost its nerve."[2] And it was very much the group of youngish men who surrounded the deputy minister of finance, Clifford Clark, who helped make a comprehensive programme of social security seem practical as a Liberal election platform. The Liberal social programme included family allowances, health insurance, and a postwar housing policy. Clark was particularly committed to family allowances: "you have to give the boys the money to buy the houses that you intend to build for them,"[3] and Ian Mackenzie, the minister of pensions and health, an advocate of health insurance and progenitor of the committee on reconstruction (from which sprang the Marsh Report) was one of the leading political facilitators of the Liberal programme. Close to the prime minister and important in fostering his reform instincts were J. W. Pickersgill and Brooke Claxton, and Claxton was "the only one who is stirring about and meeting the public."[4] These men were the most effective proponents of the postwar election programme and their programme was announced in the Speech from the Throne on 27 January 1944. In this Speech the Liberals looked forward to "the establishment of a national minimum of social security and human welfare," promised family allowances, health insurance, improved old age pensions,

housing, and generous treatment for returning war veterans. Three new government departments-Reconstruction, National Health and Welfare, and Veterans Affairs-were established to achieve these objectives. In his memoranda Dexter notes several of the steps on the way to the Liberals' important reform programme of 27 January 1944, but not the Speech from the Throne itself.

J. W. Dafoe wrote about the future of the Liberal party in a letter to Dexter on 15 September 1943. He had never felt that ignoring the world was an asset in managing Canadian politics, and was not the man to panic over the rise of the CCF to official opposition in British Columbia and Ontario: "the effective counter-influence must be a progressive modernized Liberal party." His role in modernizing the Liberal party was limited, however. J.W. Dafoe died on 9 January 1944. Nothing was ever the same again around the *Free Press*. The publisher, Victor Sifton, disliked G.V Ferguson and so refused to appoint him Dafoe's successor as editor-in-chief. Sifton instead formed an editorial council composed of himself, Ferguson, and the newly appointed associate editors, Grant Dexter and Bruce Hutchison. This cumbersome scheme for forming editorial policy was rendered unworkable by the refusal of Dexter and Hutchison to move to Winnipeg. They would visit, but they would not stay. Between visits there were letters written to sort out editorial disagreements,[5] and then there were phone calls. Neither seemed to work well, and in a letter on 8 September 1944, Ferguson pleaded with Dexter to move back to Winnipeg: "the present system of operating at long-range does surprisingly well in the spot field. But its fatal defect is the lack of continuous planning, of daily contact, study and discussion." Dexter continued to resist Ferguson's appeals to move back to Winnipeg, but promised to visit more frequently for longer periods of time. The conscription crisis at the end of October 1944, his trip to San Francisco to cover the founding of the United Nations in April-May 1945, followed by four weeks in Ottawa covering the federal election of 11 June 1945, meant that he spent rather less time in Winnipeg than he anticipated and promised. Still, he spent a good deal more time there than he had while Dafoe was alive, and his production of memoranda accordingly declined. Another factor also reduced the number of memoranda Dexter wrote about the Ottawa political scene. One of his new responsibilities as associate editor was to write his share of editorials, a task in which he lacked facility, as he himself complained to Ferguson in a letter on 4 April 1944:

> I find leader-writing the hardest kind of writing-just bloody sweat and more sweat. I have always wondered, indeed marvelled, at the ease with which you and Brucie can crack 'em off while I have to toil and toil and cross out and tie myself into knots.

Perhaps to compensate for the difficulty he found in writing editorials, he increased his production of special articles. As James Gray observes, "during 1945 he [*Dexter*] sailed like a homeward bound clipper ship through series after series, and was laying on the sail for even greater undertakings when the strike [*beginning 9 November 1945*] brought him to a crashing halt."[6]

As a result of the changes at the *Free Press* following the death of Dafoe, Dexter wrote far fewer memoranda. There were also many more gaps between Dexter's memoranda than in the preceding years. And yet, Ottawa did not change so much, or so fast, that Dexter was unable to keep up. His preoccupation with the domestic scene remained constant and his connections remained excellent.

The war impinged on Ottawa at times and in particular in 1943 it impinged on General A.G.L. McNaughton, commander of the First Canadian Army in Great Britain. He was engulfed by two separate developments. As the time for the invasion of Europe grew nearer, the question of securing competent leadership for it became more urgent, and so Exercise Spartan, a large-scale army manouevre in March 1943, assumed a particular importance. General Sir Alan Brooke, chief of the imperial general staff, and General Sir Bernard Paget, commander of the twenty-first army group, were profoundly disturbed by General McNaughton's leadership in the exercise. They were so concerned by McNaughton's performance that Brooke brought the matter to the attention of Colonel Ralston, minister of national defence, and General Stuart, chief of the Canadian general staff, when they met in Washington a few weeks later. In turn Ralston and Stuart passed the information on to the prime minister. Mackenzie King heard about the matter again in August at the Quebec City Conference, when Brooke urged that Crerar would make an acceptable field commander while McNaughton had "become more suited for research and planning than for action in the field."[7] King saw that such a change in command would likely become necessary, though he preferred McNaughton to Crerar because of his views on conscription.

At the same time, the prolonged inactivity of the Canadian army was a matter of concern to both the public and the government. Both Ralston and Stuart were anxious to provide as many Canadian troops as possible with battle experience before the final assault on

Germany; they also thought that activity would improve the morale of the long-idle troops. One Canadian division was therefore included in the invasion of Sicily in July 1943, and they urged that a second division be added to the Italian campaign so as to enlarge the Canadian force to a corps under the command of General Crerar. They carried the day with the Canadian war committee of the cabinet, and subsequently with British officials, but General McNaughton resisted the despatch of the Second division as leading to the dispersion of the Canadian army. In November Ralston and Stuart left for Britain to make final arrangements with McNaughton.

Dexter makes very little of these military affairs in his memoranda, although he briefly noted McNaughton's poor record in Exercise Spartan, as well as the despatch of the Fifth Armoured Division to join the First Division in Italy on 21 October 1943. He caught up with these events in two very terse memoranda on 3 and 10 February 1944; the first of these gives a clear picture of Ralston's misery in telling McNaughton he was not going to command in the field, though would remain army commander for the present. Ralston's sympathy for McNaughton soon evaporated, however. When McNaughton sent Ralston a copy of a cable he had sent to Prime Minister King in which he submitted his resignation and stated that he could not continue to command the army under any government which included Ralston, whose behaviour he termed mean and despicable, Ralston cabled the prime minister that McNaughton's message had created a situation that was "intolerable and past mending." He advised that McNaughton's resignation be accepted.[8]

Mackenzie King was eager to avoid the incipient quarrel "in some way that will avoid a public controversy [*with*] its disastrous effects upon the morale of Canadians at home and abroad."[9] And so it was. An interview was arranged at which General Paget made it clear to McNaughton that he and Sir Alan Brooke, not Ralston, regarded McNaughton as unfitted to command the First Canadian Army "in active operations." McNaughton resigned subsequently on the grounds of ill health; his resignation was accepted at the end of December 1943, though on his return to Canada early in February 1944, he protested at a press interview that he was perfectly fit.

The war continued on through 1944 while Dexter noted the demoralization of the Liberals backbenchers who felt left out of policy-making, monopolized by cabinet ministers and bureaucrats; as well he noted the much-discussed prospect of an earlier rather than a

later federal election. Dexter also dealt with the "conscription ramp," started by the Conservative Charles P. McTague at his nomination meeting in Guelph, 19 June 1944. McTague urged that the home-defence conscripts should be used overseas, as allowed under Bill 80 by order-in-council, and he was at once supported by other leading Conservatives. By interviewing Arthur MacNamara and Colonel Ralston, as well as by searching the records, Dexter found no short-age of reinforcements that would justify such a step.[10] Indeed, reinforcements were thought to be adequate until February 1945. Finally, Dexter concluded that domestic politics, not war needs, were behind the push for conscription: the Conservatives needed an issue to attract votes since neither their policies on imperial relations, nor reconstruction, seemed likely to do so.[11] By contrast, the Liberals were increasingly elated at the prospect of reaching the end of the war without introducing conscription for overseas service.

At the second Quebec conference in September 1944, the combined chiefs of staff informed Canadian officials that they expected the war to be over by the end of October; Dexter also reported, "casualties have been fantastically light and the army is embarrassed with an oversupply of men."[12] Intoxicated by all this good news, Prime Minister King gave an uncharacteristically rash speech to the Quebec Reform Club, saying, as Dexter reported: "No ministry of which he was head would ever, under any circumstances, have imposed over-all conscription. Never. He knew that Quebec's trust was in them."[13] This was a speech that enraged several of his cabinet colleagues, while delighting his Quebec audience. Indeed, Quebec Liberals were particularly euphoric about the future and could not wait to get on with a federal election. Dexter wrote: "Chubby [*Power*] insists that dissolution cannot be unduly postponed. To hell with the war. It is all over but the clean-up."[14]

Suddenly there was a second conscription crisis, however, and Dexter recorded its impact on the cabinet in a series of memoranda beginning 6 November 1944. The crisis was caused by Canadian army officials' failure to estimate accurately wastage rates when the Canadian army was in action. Brigadier A.W. Beament pointed out as early as December 1943 that estimates were set too low for the infantry and too high in other branches of the army, and in August 1944 General Crerar made clear to army officials that infantry reinforcements were too low. The army, however, was too slow in moving men from branches where there was a surplus and retraining them as infantrymen.[15] There was no shortage of men, but there was

a shortage of trained infantry. By the time Ralston found out about it, and reported to cabinet on 24 October, the shortage had become acute: it equalled 15,000 men by the end of December 1944. The cabinet reeled with shock: it had had no inkling that such a crisis was brewing. Mackenzie King was "emotionally upset & inclined to wild statements", although he managed to lead his party through the crisis with a minimum of political damage and actually produced the needed reinforcements. Ralston was the chief victim of his tactics.

The conscription crisis is certainly the dramatic climax of this chapter, although the memoranda are interesting for other reasons as well. There is an abundance of erroneous predictions, and Dexter provides one of first examples when he wrote on 1 September 1943, "the one certain casualty of a war is the government that conducts it." The last memorandum in the chapter, dated 14 June 1945, records the Liberal victory in the federal election of 11 June, a narrow victory to be sure, but a victory just the same. The bright and knowledgeable Chubby Power also made many wrong guesses, but perhaps the honours for mispredicting the outcome of events go to Arthur MacNamara, deputy minister of labour, who kept "five 'public relations' men touring in Quebec, talking to priests, mayors and so on." They led him to the confident conclusion that the Bloc Populaire would "win, with Godbout second and Duplessis third" in the Quebec provincial election of 8 August 1944. In fact, Duplessis won with 48 seats, the Liberals came second with 37, and the Bloc won just 4 seats.

Finally, the Dexter memoranda reproduced in this chapter offer a number of examples of the Liberals' failure to understand a postwar world in which the power of Great Britain had sharply declined and the power of the United States had increased. For example, there was a tremendous reaction among Liberals to Lord Halifax's speech in Toronto on 29 January 1944. When Lord Halifax predicted that the postwar world would be dominated by three great powers - the United States, the Soviet Union, and China, and that Britain and the Commonwealth would have to cooperate closely if they wanted to participate at all, Liberals acted as if Halifax were Joe Chamberlain come again and attempting to reduce Canada to a cog in the imperial machine. Dexter believed that the creation of a "world society" or a "society of nations" represented an alternative to a "big power world,"[16] although it is strange that a man who followed the workings of politics in Ottawa should feel that power ever could, or ever would, cease to be a factor in world politics.

References

1 Memorandum, 1 November 1943, DP, QUA.
2 *Ibid*.
3 This was Dexter's hurried summary in his memorandum, 23 December 1943, DP, QUA.
4 Memorandum, 1 November 1943, DP, QUA.
5 See, for example, Dexter to Hutchison, 29 February 1944, Dexter to Sifton, Ferguson, and Hutchison, 8 April 1944, DP, QUA.
6 Gray, *Troublemaker*, p. 174.
7 Pickersgill, *King Record*, I, p. 606.
8 Stacey, *Arms, Men and Governments*, pp. 241-242.
9 *Ibid*., p. 242.
10 Memoranda, 22 and 23 June 1944, DP, QUA.
11 Memorandum, 24 June 1944, DP, QUA.
12 Memorandum, 17 September 1944, DP, QUA.
13 Memorandum, 22 September 1944, DP, QUA.
14 Memorandum, 6 October 1944, DP, QUA.
15 Bums, *Manpower*, pp. 89-92.
16 Memorandum, 12 February 1944, DP, QUA.

MEMORANDA

1. 1 September 1943 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Alex Johnston, Mackenzie King, and J.W. Pickersgill. Dexter spent the summer of 1943 working on a book, Canada and the Building of Peace (Toronto, 1943). Churchill and Roosevelt met for the first Quebec conference in Quebec city, August 1943. In February 1943 the National War Labour Board had been reorganized and Mr. Justice Charles P. McTague of the Supreme Court of Ontario made chairman. The new Board was directed to appraise the government's wartime wage policy and to draft a labour relations code. In August the minister of labour received two reports from the Board. A majority report, known as the McTague Report, recommended that increases in substandard wages be permitted and that collective bargaining be made compulsory in all war industries. A minority report, submitted by J.L. Cohen, objected to the entire wage ceiling programme and attacked the idea that higher wages led to higher prices.]

... I resumed work this morning and found it quite a wrench. I haven't done a tap of work for you all since the end of May and returned to a desk cluttered up with bits of the darn book, odds and ends of references and a mass of material which I guess I should heave into the garbage can.

Had a long talk with T.A. followed by lunch. Kept on talking at the club with Old Alex, Norman Lambert. Talked also with John Pickersgill and for a few minutes with King. ...

By and large, the government is pre-occupied almost completely by the woeful results of the three [*four*] by-elections on August 9 and the Ontario general election. T.A. discussed these matters at length. He was just back from Quebec where he had been a good deal with Churchill. All the inside war news he said was splendidly favorable and while Churchill would not risk an opinion, he said he would not be surprised if Germany blew up at any time. Italy, Churchill told T.A., is definitely going out of the war-finished.

The gloom about the elections has to be experienced to be believed. They are interpreted as meaning that the government has lost the confidence of the country and no longer has a majority of people behind it. You are doubtless aware of the correspondence between the Chief and T.A. as to the propriety of the government attempting to carry on under these circumstances. T.A. strongly favors an immediate dissolution-on this very point. The government would say that its right to carry on was challenged and grave doubts existed as to the views of the electors. The government did not care to bear the burden of administration under such circumstances and was leaving the question open to the voters etc. etc.

A few of the ministers ardently agree with T.A., and old Alex is strenuously of this view. Others see the point but do not hold opinion strongly upon it. I think all of them would be sympathetic to the idea. The job of running a country in wartime is tough enough with-out having to buck an unfavorable public opinion.

If an election were held, the general view is that the C.C.F. would carry some 70 or 80 seats with the Bloc Populaire second with, say, 50 seats in Quebec. Social Crediters might get a dozen and the old parties would divide the balance-truly a hell of a mess. I think this is an over-sensitive reaction to the situation and I don't think King would agree to such a course.

As to the causes of the government's nose-dive-apart from the fact that the one certain casualty of a war is the government that conducts it - opinions differ. The revolt against the controls is given first place, with emphasis on the wage ceiling. There are all sorts of complaints, as you know, and old Alex for one believes that the Tories in Munitions and Supply are deliberately making boners to hurt the government. Certainly a number of mistakes have been made although it is easy to see them from the hind viewpoint. Lack of post-war planning is another. Failure of the ministers to inform the people as to what the government was doing and why is still another.

I suspect there is an element of pride in the desire of some to have an election. They look forward, without pleasure, to months of hard, weary work while the CCF and the other oppositionists taunt them with being afraid to go to the country, with being time-servers and place-hunters and so on.

This afternoon's cabinet was spent in reviewing the domestic political situation. I'll be hearing about this tomorrow and will write. The fact that the controls are the chief weakness, politically speaking, of the government is being taken keenly to heart by Ilsley, I am told. And his embarrassment is deepened by a very serious crisis which has arisen with respect to the wage ceiling and which, indirectly, involves the price ceiling.

McTague has completed his survey and turned in his report. It has not yet been circulated among the ministers and I have not seen a copy of it. But I have heard one or two things which indicate the seriousness of the matter. He is severely critical of the Labor Department. At every point he has found inefficiency and I daresay his animosity to Mitchell, which is heartily reciprocated, hasn't softened his style of writing. He finds, among other things, that the wage ceiling has never been

respected. It has been administered in each province by provincial boards and there is a complete lack of uniformity. In the result a completely chaotic wage structure has grown up. There are all kinds of inequalities and the task of ironing them out by a return to the ceiling is quite impossible.

McTague apparently is against the wage ceiling and proposes to abolish the cost-of-living bonus by incorporating the present bonus into the wage structure. He also wants to lift all depressed wages, such as obtain in the textile industry, to reasonably high levels. He disagrees flatly with Towers, Clark and Donald Gordon that higher wages necessarily mean higher prices. He thinks that higher wages in the form of piece-work etc., will bring about greater production and even lower costs.

Towers, Clark and Gordon are fighting McTague to the limit. Clark, particularly, is immovably opposed to any retreat from the ceiling policies. At the same time, a revolt has grown up among Gordon's controllers who pretty well agree that the price ceiling has failed and cannot longer be maintained and who favor a controlled inflation as against rigidity. They argue that unless the ceiling is abandoned it will collapse and the price situation get quite out of hand. I believe this situation is quite serious. If McTague's recommendations are accepted, the price ceiling must go. If they are not accepted McTague will resign and that would be a very serious blow to the government. ...

2. 3 September 1943 [DP, QUA].

[Information in the following memorandum came from Major-General H.J. Riley, T.A. Crerar, Mackenzie King, and John Grierson, head of Wartime Information Board. G.G. McGeer, Liberal MP for Vancouver-Burrard, and Arthur Slaght, Liberal MP for Parry Sound, were critical of the government's wage and price ceilings. J.L. Cohen was a Montreal lawyer and the representative of labour on the National War Labour Board. Doc Thomson was chairman of the Canadian Broadcasting Corporation.]

Lunch with Harold Riley. Exceedingly fed up but sees no immediate prospect of escape. He says that Selective Service is in a state of collapse. Arthur MacNamara is beginning to show the strain and a breakdown may not be far off. His own organization is working smoothly and doesn't need him any more but the fear of resignations still blocks the acceptance of his resignation. ...

His own show going along well. Ralston cut the monthly demand [of the NRMA call-ups into the army] down from 17,500 to 8,500 per month. This began April 1 and they met the demands until July when the supply of men began to fail. I think he said they were 1,200 short in July and over 2,000 in August. Then the govt dropped the age limit to 18 1/2 and boosted it to 30 for married men. He isn't sure, yet, how many men are in this group but there should be enough to keep things going for a time. Thereafter he does not expect any raising of the age limit but thinks the exemptions will be combed and the lower category men used to replace some 40,000 ground crew fit men in the air force.

He is astonished and discouraged by the way that Ralston and the general staff mucked up the farm leave. Originally it was agreed that Ralston would let men go on leave to help with the harvesting. The general staff, with Ralston's approval, then began slipping in conditions and restrictions until the whole policy was nullified. Leave was restricted to the men who had completed their training, which meant that the only available men were on the coasts and very far away from where they were required. In Military District 10, for example, only 54 men could qualify to help with the harvest. Then they made the farmers agree to pay $3 or $4 per day whether the men worked or not-regardless of the weather. This was impracticable as the farmers would not risk it.

He cannot understand Ralston in this connection. Why assign some 70,000 fit men to agriculture-exempt them from military service - because food production is essential, and then refuse in effect to let soldiers have leave to harvest the crop when it has been produced?

There is no doubt that King has been badly hurt by events of the last few weeks. Even more than the elections, he feels the snub he got at the Trades and Labor Congress at Quebec. He attended one of the meetings and was given the icy brush off.

The cabinet yesterday discussed domestic politics, without arriving at any conclusions. Ilsley is more strongly in favor of an immediate dissolution than T.A. King, however, was not at all attracted by the proposition.

Kicks are coming in from the members from all parts of the country, and King's approach has been to summon a caucus which is to be held in the House of Commons late this month. He will take the advice of his supporters and, later on, will call a conference of the National Liberal Federation-going right to the grass roots of the party. He intends to launch the organization in a big way.

I had only a few words with him last night. I forgot to tell you that he did discuss national government-adversely. He is agin it. If he teamed up with the Tories he thinks 90 per cent of the Liberals would go over to the C.C.F. within a few months.

The govt's troubles are certainly going to multiply. The McGeers are in revolt and they will add to the difficulties. But apart from the general situation, a real crisis has blown up over the wage ceiling, and the price ceiling inevitably is involved.

McTague's report is very secret. It has not been distributed to the ministers but I think I know the contents pretty well. It is about the only subject of conversation with Clark, Gordon, Towers and Ilsley. Pickersgill has read it, also John Grierson, Arthur MacNamara etc.

The main recommendations are:

The government to proclaim a wartime labor code providing: All wages under 50 cents an hour are to be unfrozen and left wide open to collective bargaining. That is, the government by implication says they are too low and that no ceiling or other hindrance will be placed in the way of increases.

Wages above 50 cents per hour to remain frozen.

The cost-of-living bonus to be abolished and the present bonus incorporated into wages.

Collective bargaining to be made compulsory. Speedy conciliation to be provided. Strikes to be outlawed.

Labor to be given direct representation on administrative bodies. Cohen has put in a minority report which it is generally agreed is abler than McTague's. There is but one point on which the two are in disagreement. Cohen recommends that the full cost-of-living bonus of $4.25 per week be added to all existing wages; that the differentials in the bonus be eliminated by making the maximum general. Right now the bonus varies all the way from 60 cents to $4.25 per week. If the lads had had a wage increase, you recall, they got less bonus. You will remember the variation in the steel case as between the Sydney and the Soo workers. Cohen's recommendation is really inflationary and would add perhaps $200,000,000 to the war cost, right off.

Neither McTague nor Cohen recognize the problem of wage differentials or discuss it. If 50 cents becomes the minimum it must surely follow that other wages will go up. They ignore this. McTague, however, argues that higher wages do not necessarily mean higher prices-increased production eitc. etc.

The brain trust and Ilsley are in revolt. Unless the whole thing is done by subsidies, the price ceiling would be broken to smithereens.

I would say that the cabinet by and large will be strongly opposed to the report. ... Certainly T.A. is agin it. So are Ilsley and Howe and Ralston. Don't know about Angus L. Ian Mackenzie, of course, will be for it and perhaps all the ragtags and bobtails (as old Asquith used to call them). Should think Jimmy Gardiner wouldn't heave his hat aloft about it. But King, all agree, will be for it and will insist on action. As someone put it, King feels that he has lost labor-his lifelong sweetheart, the ladder on which he mounted to fame. He's going to win her back-dash hang it.

I cannot see through this business. The report is scorching on past administration-on Mitchell and MacNamara-but nobody sees how anything can be done about Hump. You can't create by-elections and the successor would have to come from the House.

Grierson, who is a real peril in a way and who simply flourishes in situations of this kind, has a solution and is off to present it to Willie. His proposal is that the labor department be split up. Hump would be made minister of selective service. The wage and relations end would be placed under a labor court or tribunal and attached to the prime minister. The psychological effect on labor, says John, would be immense. I think he is right but I don't see our Willie taking on more work. John is agin McTague and for Cohen who he thinks is a first-rater. ...

Doc Thomson has had a bad time, chiefly due to interference of LaFleche. LaFleche has wanted him to do all kinds of dirty work. Thomson refused and since the first run in LaFleche has studiously ignored all Thomson's letters, memos and recommendations. Thomson has been trying to operate under these conditions, keeping strictly within his statutory powers. John may have a chance for the succession. The boys here are feeling pretty desperate and he shoots them a line about the ease with which public morale etc can be whipped into shape. They think of this in terms of support for the govt, votes in the bag. John doesn't mean anything of the kind but I notice he never clears up the impression he leaves. ...

3. 4 September 1943 [DP, QUA].

[Information in the following memorandum came from Arthur MacNamara and C.G. (Chubby) Power.]

... Talked this morning with Arthur MacNamara who was out privately to see Willie at Kingsmere on Saturday, and Willie left no

doubt in his mind that we are going to have a new deal for labor. He is going to get his sweetie back - if he can.

I hear from Chubby that he has gone to the mat with Ralston re combing the army for air force recruits to keep the air training plan in operation. Ralston has stood him off but Chubby has finally writ ten to the boss saying that unless King orders Ralston to come through, he, Chubby, will quit.

Victor insists on me going to Brockville next week and I've selected Tuesday. ... Victor knows about this row, apparently, and says that Ralston really has his back up. There's plenty of trouble around this town these days. ...

4. 7 September 1943 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and John Deutsch of National Selective Service.]

I went up to Brockville with T.A. on Sunday evening and returned Monday afternoon. ... Victor seems to have made a complete recovery. ... We had much talk and some swimming. T.A. astounded me by donning a bathing suit and leaping headfirst into the icy waters of the good old St. Lawrence. He swims well and, by way of bravado, he headed in a second and a third time. Victor jumped in also, but bottom first-on account of the operation. I went in ingloriously, feet first and by degrees.

The whole position is much clearer and I am going to try my hand at a piece or two on the general situation, using the coming party gatherings as a peg to hang the story of the reversal of economic policy.

The extent to which cabinet opinion has changed is indeed remarkable. Ilsley, with the general consent of the cabinet, had got everything ready to do another job on the protection of the price ceiling. The cost-of-living index has already risen to the point where a further cost-of-living bonus would be due-in the absence of remedial action-in October. He was going to subsidize meats - 6 cents per lb on beef - and thus drive down the index below the point at which a further bonus is needed. The cabinet dismissed the policy with scarcely a division of opinion. Even Ilsley did not fight. Donald Gordon asked for permission to come in and put up a very strong case, but got nowhere. The plan to subsidize was dropped and by the desire of the government the index will be allowed to ride and the bonus will go up in October-adding at least $30 million to the payrolls. The idea of the ministers was that labor

would feel as if it had had a raise in pay and would tend to be happier.

The McTague report is to be adopted and, again, I do not think there will be any real fight in cabinet. Donald G. says he will resign but by and large his resignation would be welcomed by the ministers. He is regarded as a political liability.

Re strikes-McTague is opposed to strikes but would set up a labor court whose decisions would be binding on both parties to a dispute. He would take the 50 cents-and-lower-per-hour people out of the ceiling and give them compulsory collective bargaining but the final resort would not be a strike but, rather, an appeal to the court. Victor regrets this trend but is not unduly pessimistic. He thinks it will take inflation some time to get underway. Johnny Deutsch says that it will be a fairly slow business and if the war ends within a year or 18 months will not do a great deal of damage. The moment the European war is over powerful anti-inflation forces will begin to come into play as industry switches back to consumer goods. He is inclined to think that King has figured this out-1 doubt that. ...

5. 9 September 1943 [DP, QUA].

[Information in the following memorandum came from Angus L. Macdonald and John Grierson. In January 1943 the steel workers at DOSCO and Algoma went on strike for higher wages. The government intervened and, after discussions with the union leaders and the employers, settled the strike by authorizing an increase in the basic wage rate to 55 cents an hour. Mackenzie King encountered a good deal of resistance in cabinet to this breach of the wage stabilization policy, from those who felt it would endanger price ceilings, and therefore lead to inflation. Howe was not among the critics, however, and agreed readily to this increase in the basic wage rate. (See Pickersgill, King Record, pp. 466-475.)]

... I had a long talk with Angus L yesterday morning. I found him more optimistic than in the past. He figures that Germany will be licked well within the year. The U-boat situation apparently is extremely good. He had a good deal of detachment with regard to the Chubby-Ralston row. He doesn't think that either will lose much more than feathers. No skin will be shed.

On the general political situation, his views are as follows:

In terms of individual ministers and departments the government, on the whole, has done a very good job. The failure has been on the part of the government as a whole and with respect to policy in the wider sense. This may be discounted somewhat on account of his keen and continuing dislike of the Big Shot.

With respect to the war we have done a good job and the government must carry it through to the end. The idea of a general election is nonsensical. It would be equivalent to quitting and in the upshot the Liberal party would be ruined as being a party that let the country down in the greatest crisis of all time. The government had a mandate to fight the war to the end from the 1940 general election; a mandate renewed in the 1942 plebiscite when the majority declared that the government, if need be, could and should apply overall conscription. The plebiscite was, in fact, a mandate to carry on until the end of the war. By so doing, regardless of what might follow after, the Liberals would have done a real service to the country for which, in the long pull, they would be repaid. It would be a star in the crown, so to speak.

Therefore he puts no weight on the immediate election move. He thinks it will amount to nothing and, in fact, springs from the fear on the part of its sponsors that the political position will continue to deteriorate. This, he agrees, may well happen but he thinks that much lost ground can still be regained provided certain things are done.

The government, he suggests, has suffered chiefly by the stupid way in which Munitions and Supply and Finance have done many things-most of them very good things - and by the administrative incompetence of the Labor Department. There should be a pretty stiff overhaul of these departments, and the labor angle should be handled much more firmly. He does not favor appeasement of labor-rather a firmer hand. He thinks that under firm treatment labor would steady down. Much of the present revolt arises, he thinks, out of past weakness on the part of the government-notably in the steel strike. They think that the government is on the run and, naturally, they want to keep it going. He never favored rigid ceilings, either on prices or wages, but he cannot believe that the majority in the country desire anything in the nature of a real inflation. Therefore he would give labor a national court and would make the wage ceiling more elastic-but he would have the court be pretty tough. The same policy of elasticity, he thinks, should apply to the price ceiling. You cannot keep the economy rigid and in fact it has not been rigid. The government has talked rigidity, or rather Donald Gordon and the others have done so, while it has practised a degree of elasticity. It has made the worst of it-politically.

He believes, too, that there is no longer any doubt but that we over-extended in our war effort. He says Ralston has at last come around to

this viewpoint. We must cut down a bit and the right point on which to cut down is industrial production for the war. He thinks Howe is temperamentally unable to make cuts. He gets out of one thing and then goes bang back into something else. For example, there is no sense now in building ships beyond the present programme for the sound reason that the United Nations cannot man them; there are no crews and no chance of increasing the merchant shipping personnel. The reduction in losses has produced a huge demand for merchant seamen, and the existing construction programme in the U.S., U.K. and Canada will take every last man available and many more. Yet Howe turned up in cabinet last week with a programme for an additional 168 ships. I think he said that it was either deferred or scotched. If the shipyards were eased off it would help the lumber industry, the mining industry, the steel situation and so on. There are a number of lines of production which could be reduced without the slightest danger to the allied war effort. The benefits in terms of an eased home economy and a lessening of labor demands he thought fairly obvious.

As between Ralston and Chubby, he is neutral. Both have good points. Chubby needs airmen from the army. Ralston invites him to do something with the 70,000 A category men on his home airdromes. Chubby counters by saying that he is doing all he can but that he must keep the planes in the air and therefore must go slowly.

Ralston is really worried about the army manpower position. The general staff are demanding more by way of reinforcements than he has been getting. He has cut down the establishment by 20,000 men but this is not enough. No doubt, the generals have a large number of men tidied away into holes and corners where they cannot be got at and Ralston shrinks from trying to get at them. Yet there is sense in Ralston's case for maintaining the stream of reinforcements - despite the large army strength - or alternatively of applying overseas conscription. Angus not nearly as keen on conscription as a year ago. Is now inclined to think that, on balance, King may have been right. He does not believe that the Quebec situation is as bad as it looks. The Bloc Populaire he says is a wartime party and will not survive the return of peace. Things will improve in Quebec, not get worse.

He agrees there must be more social legislation-health insurance and things of this kind. And he believes that the people are now eagerly looking for a lead on postwar policy. The government should address itself to this field and give leadership etc. etc.

He is very eager to have the Chief's views on what the policy of the government should be. ...

A long talk with John Grierson who is intriguing in the political crisis to beat hell. John really isn't interested in the information board or in the films. He has set his heart on the CBC and is really doing a grand lobbying job in a highly indirect and tentative way. John keeps telling the ministers that the whole trouble with the country is that the people do not know what a good job has been done. A vacuum has been created between the government and the people and unless the government sees to it that this vacuum is filled, other agencies full of political danger to the state will fill it. The ministers that I have talked to all think that what John means is that if he gets a clear whack at radio or propaganda in one way or another he will put Liberal votes in the ballot boxes at the next general election. Actually he means nothing of the sort. He wants to fight Toryism or reaction. But I notice that he never disabuses their minds of the impression created. ...

6. n.d. [*autumn* 1943] [DP, QUA].
[Information in the following memorandum came from J.W. Pickersgill.]

... Around King's office I find a very noticeable tendency to play the ball to recover Quebec which seems generally to be regard-ed as the section most likely quickly to respond to treatment. Hence the loosening of the lower section of the wage structure and the family allowance idea. Both, I gather, will be big stuff in Quebec and will take much wind out of the sails of the Bloc Populaire.

Billy Buchanan advises that Alberta has gone over lock stock and barrel to the CCF and that the Social Crediters are finished. He doubts if both the old parties can count on six seats west of the lakes and has written to King in this sense. Johnny Pickersgill advises that the Old Man is worried and alive to the peril but by no means down-hearted. He means to hoist the socks with vigor. If he can get Quebec back he is sure of 100 seats or nearly so and will be in a very good operating position.

7. 13 September 1943 [DP, QUA].

[Information in the following memorandum came from Hector McKinnon and J.G. Gardiner. Whatever his impulse in 1943, Donald Gordon never in fact ran for elective office. (See Joseph Schull, The Great Scot: A Biography of Donald Gordon Kingston and Montreal: McGill-Queen's University Press, 1979.)]

I seem to be all memos and no news. In fact I wish for queries because I feel nervous about horning into the news line. I continue to see people and to talk.

The local dirt centres around the apparently true development that Ilsley has sold Donald down the river and that Donald hasn't yet found out about it. Ilsley has stopped fighting for the ceiling. On this score we have the testimony of his colleagues. Hector McKinnon told me on Saturday afternoon that Donald was telling him an hour or two before that the one bright star in his sky was Old Jim, in there punching for the ceiling. Hector knew that even this star is in total eclipse but hadn't the heart to disillusion Donald. When Donald finds out, Hector thinks he'll have one last mighty row and then quit.

Hector sees no hope for the continuation of the price ceiling on account of the eruptions in wages and agricultural prices. We know all about the wage business. There isn't any hope of heading it off.

On agricultural prices I had a talk with J.G.G. this morning, to be continued at 4 o'clock this afternoon. Jimmie agrees that there are not six safe Liberal seats in the west today. Indeed, he goes farther there isn't one safe seat. The situation, however, is far from hope-less. If the government would do three things, a good fighting recovery would be possible and the political trend would be reversed. They are: boost the price of wheat; boost the price of coarse grains; boost the price of dairy products and meats. I don't yet know what he thinks suitable for wheat. On coarse grains he wants the U.S. differential paid to western growers. This amounts, right now, to around 40 cents on barley and 29 cents on oats. The western coarse grains have been urgently required in the U.S. and under the permit system the western farmer could have had the U.S. price provided the government had bestirred itself and provided the transportation. The gov't, as usual, didn't bestir itself and no shipments of any account were made. You couldn't face the farmers today and say that the government hadn't thought it worth bothering about getting them more money for their oats and barley. And today you couldn't let them ship to the south because central Canada required the coarse grains to maintain meat production. He insists that the western grower must have this U.S. price either by price increase or subsidy; he shouldn't be

compelled to bonus the eastern feeder. I asked him if he would apply the principle all along the line-beef, cream etc. etc. He ignored the question but may get around to it this afternoon. He said he is urging every farm leader he meets to get out and kick the ceiling. He can't do it, on account of the fiction of cabinet solidarity. He thinks to continue the ceiling is suicide.

I suggested he had got something for the milk and cheese producers but he snorted derisively and said that he got 30 cents per 100 lbs on milk going into cheese, evaporated milk and fluid milk. That wasn't nearly enough. He had wanted 40 cents per 100 lbs. His colleagues had let him down. The great trouble with "your friend" (meaning T.A.) was that every time the going got heavy he "faded out". He had "faded out" of more things than any other politician in the country.

What had happened? There was a cabinet sub-committee appointed to deal with these agricultural matters and King had made it clear that they were to come down heavily on the side of the farmers. The committee, including T.A. and Jim McKinnon had met in his office and decided enthusiastically and unanimously for the 40 cent per 100 lb hand out. He had been called out of town and the recommendation had gone to Treasury Board while he was absent. At Treasury Board, however, T.A. and Jim had voted against the recommendation! And so far as these items were concerned, this spoiled the show. He couldn't do a darn thing until next spring at the earliest.

The Prices Board, he said, was getting away with blue murder. They were either babes or villains, sometimes he wasn't sure which. Why, take the case of butter. The packers, scenting rich profits, had so manipulated butter stocks in December and January of a year ago, that consumer shortages occurred in the larger cities. This was pure scoundrelism. There was no shortage. How could there be a butter shortage in Canada in these months. In March or April-yes. In December and January-no. They had wanted to create a condition of hysteria, to bring on rationing and so on. And they got away with it, despite his protests.

They appealed to Britain, as the custodian of Empire butter stocks, for a cargo of Australian butter and they yelped so loud that old Woolton had come across with a cargo of 26,000 boxes, or maybe million pounds, I don't remember which. The price was 26 cents per pound and the going price in Canada was 40 cents. A nice juicy profit of 14 cents per pound.

Fortunately, Woolton, by a stroke of genius, made the consignment to the Dairy Products Board of which J.G.G. is the chairman. In due course he got a wire from Halifax saying that the shipment had arrived. He was thunderstruck and on inquiry couldn't discover who had ordered the shipment. Lock it up, he said, and see who turns up to take delivery. In due course, Canada Packers turned up-good old Stanley McLean. He had turned them down cold, re-shipped the butter to England or the West Indies. We didn't need it and had never needed it.

Today, the Prices Board was continuing butter rationing in the face of a surplus in store of 75 million pounds which would rise to 80 million pounds by the end of September and maybe grow a bit more in October. At least it will hold about even. And rather than take off the rationing, the Board is trying to ship the butter to England, which had taken a "few" million pounds. Why not take off the rationing? Because the Board was afraid the public would get the idea that all the regulations were coming off. Yet, in the result, the people were being prevented from eating one product of agriculture and the producers were losing the additional market. Jimmy went on-an endless tirade. He'll be continuing in half an hour when I go back.

Went right over to the Prices Board and missed Ken Taylor but discussed all this with Geo Britnell. I am afraid Jimmy's butter facts are very bad. Undoubtedly there was a critical shortage in December and January of a year ago. There were 23,000,000 lbs in storage and production would fall short of consumption by around 13,000,000 lbs per month until May. On the import scandal, the butter came in and, if it had been required, would have been handled through the trade. But the excess profits would catch the gravy.

We are shipping 7 to 9 million pounds of butter to Britain this fall for certain and Britain wants 22 million lbs. It saves shipping to haul it from us rather than other sources. Australia hasn't a surplus any more, but is now feeling the pinch on all foods.

We will run behind consumption by around 13 million pounds a month for Nov. Dec. Jan. Feb. and March, so while the situation looks okeh, there isn't much to come and go on. Jimmy's milk and cheese subsidies upset the price return against butter. All farmers with options will switch to milk and cheese because it will now pay more than butter. So there may be a sharp drop in production prices. The Board can't be putting on controls and taking them off etc. etc. I thought the case against James Garfield unanswerable.

Britnell, who is the economist for the foods division, thinks the ceilings cannot be held once the wage boosts go in and Jimmy gets through with his price increases or subsidies. He thinks we must go in for a selective ceiling. There will be a degree of inflation but nothing to make a bogey out of. He thinks Donald has been wrong in over-stressing the danger of inflation. People just didn't believe him and came to think there was something phoney about the whole business.

Hector had told me that there is no chance of an improvement on sugar; that the sugar situation is very tight all over the world. The U.S. had some reserve stocks in Cuba on which they are drawing. Britnell agreed. Apparently much sugar has been diverted to war purposes-alcohol etc. He said that the food administrators at Washington believed Roosevelt had made an error and that the U.S. would have to go back to the old sugar ration. He sees no prospect of any easement on the food front, unless we let Europe starve, for some years to come. ...

Odd, how lads seem to want to join up with the government-and it dying so swiftly. Norman Lambert tells me that McTague, whom he knows well, would give anything to get inside the cabinet, in Hump's shoes, perhaps. And Donald Gordon, who seems to be the original source of the immediate election idea, offered to run for the Grits if they would go to the country forthwith and go into the cabinet after Willie was returned.

8.14 September 1943 [DP, QUA].

[Information in the following memorandum came from J.G. Gardiner and J.L. Ralston. The transfer of active service men from home to overseas service was extremely painful because overseas units found it easier to absorb reinforcements at the rank of private since they were likely to be fully staffed already with non-commissioned officers.]

I went back to finish with James Garfield yesterday afternoon. He returned to his office from a meeting with the cabinet sub-committee on wheat in a very nasty mood. He had again been thrown for
a heavy loss and his resentment brought him as close to an emotion-a] outburst as I've ever seen him.

He wanted the differentials as between Buffalo and Toronto paid to the western farmers on oats and barley - 20 cents odd on oats and 30 cents odd on barley. He had talked both legs off, talked himself blue in the face. He had finally persuaded his colleagues but when it came down

to cash on the line, they felt like 10 cents a bushel. Now that was bad enough but it developed as the discussion proceeded that their idea was to promise the growers the extra dime a bushel but to explain that some of the grain might be exported and bring in the U.S. price while more of it might well come east to be fed here. Since nobody could tell in advance what the division would be, the best thing was to settle up after the end of the 1943-44 crop year. To Jimmy this meant pie yesterday, pie tomorrow but never pie today.

He bemoaned the half-measures to which he was bound. If only the boys would screw up their courage and really hand the farmers a nice fat slice- to do it right out-that would be getting somewhere. But this business of giving a little and that little grudgingly only created great appetite and earned no gratitude.

This was precisely what they had done to him on the milk subsidies. The farmers had asked for 50 cents subsidy for 1001bs, and he and his officials had talked them down to 40 cents and persuaded them this would be plenty. Then, of course, the cheeseparers had come along and trimmed it to 30 cents and-tossing a wire across to me-the result was to make a monkey out of him and the department and make the farmers sore as hell. The wire substantially supported his view.

I asked him for his solution to the political problem. He said that if the government would pay parity wheat prices of $1.41 per bushel, and the U.S. differential on oats and barley, and a more moderate boost on meats and dairy products-the political prospects would be very different.

Then he resumed his attack on the ceilings and on the administrators, controllers, regulators etc. All the Tories in the country had been hired by Donald Gordon and Howe. All the enemies of the government had got into responsible positions and were working overtime hurting the government. He told me of the issue he had had to meet in Humboldt. Many Saskatchewan farmers use light trucks instead of cars. At the big picnic in this constituency they had flocked in trucks only to be met by an enforcement officer and warned that they would be prosecuted. Meantime the controllers had stopped Sunday trains in this part of the country while allowing the buses to continue. Where was the saving in gasoline and rubber here?

... I had talked so long with Jimmie that I missed Ralston but saw him this morning.

The war is going well but he doesn’t look for a collapse of Germany until next year, and maybe late in the year. He ardently approves of

sending more divisions to the Mediterranean but hasn't yet gained his point. McNaughton cannot openly oppose him but no doubt is throwing sand in the wheels at the war office.

He told me that a ceiling had now been placed on both the navy and the army. The navy is 82,000. The army is the present overseas establishment plus the absolutely essential home establishment. On the latter point, he is having his trouble with the general staff. He recently cut it down by 20,000 and the breaking up of the three [*home defence*] divisions is another move in the same direction. But it is slow going and he doesn't expect to get it much lower than say 60,000 or 70,000. Essential coastal defence, particularly on the Atlantic side, plus the veterans' guard will run to 42,000. Then he has the training personnel and the administrative side.

He still needs reinforcements. Of the 100,000 he requires in this fiscal year he already has better than 50,000. He needed 8,500 per month, or thereabouts. He is calculating that 20 per cent would be immediate wastage-for one reason or another-and the net inflow would be say 6,500. Riley has fallen down on this. He received on average 5,000 per month up to the end of July and 4,000 in August. The September inflow will run to around 4,000. He has had, howev-er, some fat on his bones in the active service men in the home defence units. By disbanding the 6th, 7th and 8th divisions he makes these available and by shutting down certain training centres he has added to his pool. His idea is to draw on this fat for the balance which Harold Riley fails to produce. Say it runs around 2,500 per month. Actually, however, he can get by on 5,000 reinforcements per month.

The transfer of these active service men from home to overseas service is an extremely painful business. All lance-jacks, corporals, sergts, sergt majors etc., have to revert and go as buck privates-and it hurts.

As for Chubby - to hell with him. He hasn't given an inch to Chubby and won't. Chubby is the only guy in the country running a machine wide open at the intake. Chubby wants to keep his air training machine going at full speed, although only about half the graduates are now going overseas. Where are they going? Ralston doesn't know-ask Chubby. The inference is that Chubby could cut the intake in half.

Chubby has 70,000 or more active service A category lads in his ground crews in Canada. Not only should Chubby use these men for air crew but Ralston should cash in on them also. They should be replaced

by Zombies, or home defence boys. Chubby ran a good deal of bluff but intended using these men for air crew all along. Ralston wasn't fooled on that. He says that Chubby actually is pulling them in now at the rate of 750 per month and maybe more.

His job, now, is to maintain the army in first class fighting trim. He means to do it. As for the general political situation, the government should go right ahead and do the job as it thinks the job should be done. Who cares what happens after?

9. Letter from J.W. Dafoe to Grant Dexter, 15 September 1943 [DP, QUA].

[Dorothy and Marcella were daughters of J.W. Dafoe. E.J. Tarr was president of the Canadian Institute of International Affairs.]

I am out here for a bit of a holiday-have been here for ten days and am going to take 4 or 5 more. Things began to happen as soon as I left the office but I have contented myself with a daily note to Geo & an occasional telephone call. Apart from a bit of reading, which I had been storing up, I have done nothing but loaf, sleep & eat. Three charming ladies – Mrs. D., Dorothy & Marcella - have waited upon me assiduously. I think I needed the break-the times are tough. When this hellish war broke out I said to Geo in a letter that two years of it would put me out of business-but I seem to be going fairly strong in the fifth. The trying conditions connected with and arising out of the war are more than compensated for by what is now the certainty of defeat of the would-be world conquerors. When one thinks of the change in the past year the domestic disturbing events move into relative insignificance. I still have fears that we may lose the peace but they are not as strong as they were. I begin to think that the US will take the right road even if the Republicans come into power before the war is won. Russia is to me a very doubtful proposition not so much on account of its present communism as by reason of its possible emergence as a revived Russian Empire with its own ideas about world conquest. But as Churchill said all things are possible if the Commonwealth & the US pull together.

It is cheering to have your writing on the edit-page again. We have missed you. I have seen some of the material which you turned out for E.J. T. and it seemed first-rate to me. I should think it might be worth a permanent place in the political writing of these times.

The political situation makes your presence on the job at Ottawa very necessary. I am hoping that the govt will not try to compete with the C.C.F. in promising utopias - they haven't a chance along that line. This is not to say that there is not plenty of room for radical action in the field of social betterment. Family allowances would make a good start. I would like to see the party work out a programme which if they keep power they can put into effect with the certainty that it will work to the advantage of the country and if they go into opposition will make good fighting ground for the future - a programme sound enough and strong enough to take in all the sensible elements in Canada if socialism should become the dividing issue. I do not myself see the C.C.F. becoming so formidable as to force a combination of non-socialists. I have seen the rise & fall of new parties that erupted and played a big part for a short time: Equal Rights in Ontario, the Bourassa Nationalists in Quebec, the Patrons of Industry in Ontario, the Progressives of 1921, the UFA in Alberta followed by Social Credit (now on the way out). The Socialist movement will be more enduring but I don't see it as taking charge and making this country over into a socialist paradise: but as a promising party dealing with an electorate, which is hourly growing more irrational under the stimulus of the unprecedented happenings of these times, it may for a while, make a highly disturbing contribution to our politics in the post-war period. The effective counter-influence must be a progressive modernized Liberal party which will have a policy of relations between the state & individual which will make the socialist programme appear the shoddy impractical thing it is. Meanwhile the govt must get on with the job of making our war contributions notable abroad & also at home. They have the right, if they can find the method, to make the Canadian war effort the ground for an effective appeal to the people. Their work, after making due allowance for the failures, has been magnificent; but some-how its national import & significance has not been got over to the people.

Now that you have returned to the field of action after your few months in the library you are doubtless doing a good deal of scouting around picking up old trails & locating new ones. I shall be interested to have a memo from you-when you feel that you have a line on the subject-on your estimate of the present and impending state of the Reconstructed party of Bracken & the Progressive Conservatives. I have none of the feeling of hostility to Bracken that I find among some of the Manitoba Liberals: & since I feel that his

partial success (which I think is the best that he can hope for) would damage the C.C.F. prospects more than it would the Liberals it is not a case of the wish governing my judgment when I say that my hunch is growing stronger all the time that the great plan engineered by Meighen & Co is going to be a failure if not a fiasco. There may be, probably is, sincerity on John's part; he may really believe that he is being called by Destiny to save his beloved country; but to me the insincerity of the whole movement from the view point of those who started it & carried it on is palpable. If he is "honest John", as we have termed him, he will have a choice of failures: he will fail absolutely or if he is in a measure successful in getting popular sup-port he will fail to carry the men, who think they own the party because they put up the money, with him on the programme that his speeches suggest that he has in mind. They will want him to put the power at their disposal: & if he does he will also fail though it will not be so immediately evident. My guess is that he will not get the following he is trying to round up; but I may be mistaken. If I am I have failed in 20 years of fairly close checking to rightly appreciate his qualities & abilities. You may have seen Strange's appreciation of him in Saturday Night. But if Strange's judgment is right Bracken will run into the second test. If of course he should find it in his power & if it should be his secret inclination (about which I have my doubts) to make a sort of second Liberal party out of the Conservatives, as his public addresses suggest, he might be quite a factor in the future politics of Canada. Hasn't he got to get into the House for the next session? If so, where? ...

10. 17 September 1943 [DP, QUA].

[Information in the following memorandum came from J.W. Pickersgill and J.G. Taggart, administrator in the Wartime Prices and Trade Board.]

... It looks like family allowances and a loosening up of lower wage levels. King has been very frank in talks with Pickersgill and, to a lesser extent, with Grierson. He is blaming the rank and the file of the party and particularly the reactionaries in the government which, he says, have smothered almost to death the tender green shoots of real liberalism. No doubt it can be argued that liberalism as an attitude of mind will survive and, if the political party now goes under, will reappear in some other form later on. But he can't sit back and await the resurrection. He is nearing 70 and with him it is make or break now-in the next election. He is not going to officiate

at the interment of liberalism. He is going to start in all over again, rebuilding from the ground up. If the reactionaries don't like it, they can get out and join the Brackenites. We are going to go to the left and with a vengeance. By the way King talks he cannot abide any substantial political party more radical than himself. He is the grand-son of the little rebel and so on. ...

Jimmie Gardiner has got 15 cents on barley and 10 cents on oats and continues to develop the programme for victory with a bid for $1 initial payment on wheat-which he'll probably get. Taggart disagrees with Jimmie but says that the only real conviction Jimmie has ever had is that you can buy electors. Taggart is very worried about prairie prosperity. He says the first signs of a land boom like that of 1919-20 are now appearing. He thinks the Grits will be licked when they go next spring but says that oddly enough the Tories are swinging over to them. Bracken seems to be just nowhere. ...

11. 2 October 1943 [DP, QUA].

[Information in the following memorandum came from W.A. Mackintosh and Ralph Maybank. The McTague report on the government's wartime wage policy recommended, among other things, the adoption of family allowances as an alternative to an overall increase in wages.]

... The cabinet dealt with the McTague matter yesterday but I cannot be sure that they reached a decision. What is becoming clear is that family allowances, even if adopted, cannot be quickly put into operation. The administrative difficulties are immense and the prevailing view is that the most the government can do is to promise to adopt the policy as speedily as the machinery for paying out the money can be devised. Bill Mackintosh, who is about the sanest brain truster presently extant here, says that six months would be the minimum time.

I take it that the cost-of-living bonus will be abolished and the government will pledge itself to hold the line after the present adjustments are made.

That there will be a substantial weakening of the wage ceiling is certain. Indeed, T.A. favors wages against family allowances. Jimmy has accepted $1.25 wheat but only as the first bite off the cherry. After this one is digested he intends to resume the campaign for $1.41.

The most alarming development, however, is the rapid deterioration in Ilsley's physical and mental condition. From the first hand

reports which come to me from all sides-members like Maybank who have been talking with him, and the brain trusters who work with him - I shouldn't be surprised if he has already had a nervous breakdown. If not, he is on the verge of it and to one of his character a break of this kind will probably put him out for the duration. His emotions have become uncontrollable.

The difficulty with him is that he feels he is holding the ceilings single-handed not only against the party but against his colleagues. He alone is left to say No and to fight. He feels unable to go on, while the drive for more money here, higher prices there, higher wages and so on is ceaseless. ...

12. 6 October 1943 [DP, QUA].

[Information in the following memorandum came from Tracy Phillips and T.A. Crerar. Mr. Justice T.C. Davis, deputy minister of national war services, created a nationalities branch under the direction of Tracy Philips, to help foreign born feel at home in Canada and to counter the effects of Nazi propaganda. LaFleche inexplicably refused to countenance this work from the moment he became minister of national war services in October 1942. Professor G.W. Simpson of the University of Saskatchewan was chairman of the advisory council, and among those actively interested in its work were Professor Gilbert Jackson of the University of Toronto and Senator A.K. Hugessen of Montreal. The *Free Press* published a story by Grant Dexter on 9 October 1943, and accompanied it with an editorial on the same day.]

Enclosed is one of the nastiest pieces I've ever written. Perhaps it isn't any good the way it stands but I believe that we should do something to prevent LaFleche from killing the very valuable work which was started among the foreign groups in 1941 and carried on vigorously under Tom Davis up to the appointment of LaFleche. La Fleche has completely stopped all activity.

I am in no doubt at all as to the facts. Got a letter from Gilbert Jackson who has been helping with the work, telling me something must be done. I didn't do anything about this. Then I ran into a stiff written protest from Hugesson to LaFleche. Then Tracy Phillips began bombarding me. Simpson, the chairman of the advisory council (prof of Saskatchewan U) had quit in disgust and the advisory committee was on the point of breaking up.

Have my fingers crossed re Phillips - as you know - but at lunch and after yesterday he produced full documentary records of the past year, including copies of his letters to LaFleche and the minister's answers, when there were any answers. The reasons why LaFleche has refused to have anything to do with this work and, also, has refused to obtain the

$10,000 per year which it costs to run the branch, are not clear. T.A. who is familiar with the situation ascribes it to vanity, stupidity and a complete lack of interest in any-thing except political intrigues.

I think, Geo, there should be an edit along with this piece pointing out, among other things, that this nationalities branch has no business being in the National War Services dept. It naturally belongs to Resources and Mines as a parallel organization to immigration. It should go to T.A. who would see that the work was carried forward with vigor. Indeed, there is nothing in National War Services to warrant the continuation of it as a department. It ceased to be a department really when it lost military manpower to labor and war information to the prime minister. All that now remains is: The Travel Bureau, the Corps of civilian fire fighters for the U.K.; government economy control; Nationalities; Prisoners of War Information; Salvage; War Charities; Women's Voluntary Services; censorship.

The wage policy thing is pretty hot but has narrowed down purely to wages. Family allowances are out. The best that can happen there is a reference to a royal commission. On wages the dispute is not whether the ceiling will be loosened but how much and in what particular. McTague is standing by his report which recommends taking the lid off 50 cents per hour and lower in the case of heads of families. The Labor Department wants increases up to $1 per hour, as against 50 cents, but proposes that increases be restricted to 10 per cent per year of the difference between the going rates and $1 per hour.

With this will go a labor code-collective bargaining etc., with a labor court whose rulings will be mandatory. There will be no right to strike. The hardboiled guys keep tossing monkey wrenches in. Labor should have to pay damages in the event of illegal strikes etc. etc. Union funds to be seized and so on. I think there will be an announcement this week. ...

13. 21 October 1943 [DP, QUA].
[Information in the following memorandum came from Angus L. Macdonald.]

Been doing little but talk since my return home. ... In the way of news, the most important facts which have come my way are from Angus L. The fifth armoured division is now being shipped to Italy to join the first division. The fifth and the first are to be teamed up with the famous

Scottish 51st division to make a corps to be commanded by Crerar. This will leave two infantry and one armoured divisions in Britain under McNaughton.

The day is going very heavily against McNaughton in England. On the last manoeuvres, Crerar got high marks from the War Office experts while McNaughton was slated even more severely than the Montreal general that was let out. McNaughton apparently took a field command on this occasion. Crerar is going to have the distinction of commanding the outstanding division in the British army-the Scottish. Once this fifth division goes south, there will be no further allocations to the Mediterranean. The rest of the Canadian army will take part in the cross-channel invasion. Our army, therefore, will be split in two. As far as can be seen, the split will last out the war.

The sub campaign goes very well. In the last big battle in the Atlantic we lost a destroyer and the British two smaller warships, but only six merchantmen were lost out of a convoy of 60 ships. At least two subs were sunk and prisoners taken and they think perhaps another three were sunk without trace and others failed to regain port.

Nothing yet decided on the McTague report. Donald Gordon and W.C. Clark are still ardent for family allowances instead of wage increases but Angus tells me that apart from the French Canadian ministers and Ian Mackenzie there is no support for this in cabinet. Likewise, McTague's alternative of a free hand for the War Labor Board is wholly unacceptable to Ilsley who demands a policy with some kind of an anchor. The Labor Department formula, based on the $1 per hour wage with increases restricted to 10 per cent per annum of the difference between the going rate and $1, holds the field and Arthur MacNamara is so sure of it that he is now drafting the order-in-council.

14. 1 November 1943 [DP, QUA].

[Information in the following memorandum came from W.A. Mackintosh, Major-General H.J. Riley, and M.J. Coldwell. The example that Dexter cites in discussing the bad effects of internal dissensions in the cabinet is the cabinet decision to reduce bacon shipments to Britain so as to increase domestic supply thus reducing pressure on the price ceiling. Dexter, like Gardiner, thought the decision unwise because it also reduced returns for Canadian hog producers. Zombie was a term of contempt applied to home defence conscripts who refused to volunteer for overseas service. The book that Dexter refers to in his chat with Coldwell is Make This Your Canada by F.R. Scott and David Lewis (Toronto: Central Canada Publishing Co., 1943). Sir Robert Walpole was prime minister in Great Britain in the eighteenth century.]

As a news man, or any other kind of man, I guess I am pretty bad. I seem so bogged down in half done work as to be completely stalled. Therefore, instead of trying to do anything about it right now, I will write you a long memo.

I have been thinking much these latter days about something the chief remarked when he was here a year ago last June or July. That we are really passing through a period of great change. This is the end of an era and that, as with Sir Robert [*Borden's*] administration after 1918, the government seems powerless to influence events or to function in a constructive way.

The more I watch things here the more it seems to me that the government is comprised of burnt out men. They are finished, except that they can run the war and, unless King chooses to dissolve suddenly, will do so until the victory is won. After the recent caucus and meeting of the National Liberal Federation there was a very encouraging flurry of optimism but this has all seeped away. They are back where they were and I can see no disposition to stand up to the C.C.F., to contest the field. Brooke is the only one who is stirring about and meeting the public. He is doing an excellent job but cannot hold the line alone. The cabinet, judged by all I hear, has lost the will to fight.

The internal dissensions also are increasing. Personal feuds and antipathies seem to be reaching the point where in carrying the fight to the other chap, the ministers are likely to lose sight of the policy proper. A case in point is the bacon policy, where the universal dislike of Gardiner resulted in a very unwise decision. The French Canadian ministers display an increasing tendency to gang up in pursuit of common ends - family allowances for example-and to plead extreme political necessity. Indeed every minister can plead political necessity these days. Jimmie Gardiner does it interminably.

Bill Mackintosh put the thing to me the other day. He finds that over the past year the cabinet has lost its constructive power. It can say No and can carry on feuds but it doesn't seem to have the gumption to go out and fight the CCF or to undertake new policies. He said that Ilsley's condition is very bad. He is exhausted. He has a sense of persecution. He is convinced that all his colleagues are against him. He can't sleep. He can't detach himself from worries. Unlike Old Walpole he can't put off his care when he puts off his clothes.

Bill says that the chief architect of Ilsley's ruin is James Garfield. If so, this is the second minister he has undone-two hefty

scalps on his belt. He ruined Dunning. The technique, also, is the same. Jimmie is always promising that the matter in hand is his last demand, positively his last. He said this when he got the fluid milk bonus boosted. Next came coarse grains. These were to be the last. Next came wheat. This was to be the last. Next came the application of the Prairie Farm Assistance Act to Saskatchewan and Alberta this year. Jimmie has rarely got all he wants-bacon is a case in point. But always he has got something. He takes his proposals to cabinet when Ilsley is away. He argues and argues with Ilsley. He phones Ilsley at night and talks upwards of an hour.

Ilsley is unable not to argue with him. The boys advise Ilsley to say: Well, we disagree and there's no use our discussing this matter further. Take it to cabinet and cabinet will decide. But he can't do this. He always can be provoked into argument and Jimmie takes every last ounce of energy he has - and usually beats him in the end.

But, says Bill, the tragic part of it is that the government is let-ting the CCF carry all before it, without a word in challenge. The whole case of international co-operation, of trade, monetary policy - of all that is essential if we are to have a brave new world-plus private enterprise goes down for lack of defence. If the CCF was a sound outfit, Bill wouldn't mind unduly. He is not a partisan. But he knows the CCFs very well and finds them to be an impractical, doctrinaire lot, without a grasp of what is required. The great need now is for postwar planning in the international field. This should be stressed and, to a large extent, it is going forward. The brain trust hasn't lost its nerve. And the govt is encouraging the work. But the govt, for these or other reasons, is incapable of talking about it. Unless we get off on the right foot after this war, the future will be very dark. Yet if the CCF should come into power in 1944 or 1945, it would plunge into a long drawn out and perfectly fruitless business of taking over the CPR or the banks or aluminum. Suppose you could save a quarter per cent on the interest rate by public owner-ship, of what value would it be in the larger view? Meantime the vitally important tasks, which appear not to interest the CCF, would be neglected. There was much more in this vein.

Long talk with Harold Riley, who expects to be home and free by the end of this month. Have been noticing army developments in Australia, New Zealand and Britain-the withdrawal of men from the service into essential home work. The U.S. also follows this kind of a policy in discharging men, on request, when they reach the age of 38.

Harold remarked, as he has done before, that we are nearing the bottom of the barrel so far as age groups subject to call are concerned. The monthly quota of the three services is 15,000 and we have been taking in more than that. But while the air force and the navy quotas have been exceeded, the army quota has not been nearly filled. No complaints from Ralston have been received-which is something new.

The army has an excess of manpower and this excess will raise very difficult problems. The split in the overseas forces wiped out the headquarters establishment and gave Ralston fresh reinforcement reserves. He has a very large number of active service men in Canada, who have gone through the training and are ready for embarkation. The intake into training centres has dwindled steadily until today in some camps for example, there are 500 instructors training 500 recruits.

The Zombies present a problem for the reason that their justification-defence against invasion-has disappeared or is fast doing so. How can Ralston justify keeping 70,000 men doing very little in Canada when there is an acute manpower shortage? Pickersgill has a solution that he is presenting to his boss. Form them into labor units, under strict army discipline, and put them to work in the bush, seasonably in agriculture etc. It would always be open to them to enlist. Apparently as it now stands, a Zombie can only enlist in the army. He can't enlist in the air force or the navy. He must first obtain a transfer. ...

Chatted with Coldwell this morning. It is increasingly clear that he doesn't keep in step with Frank Scott and the lads. I argued with him on the strength of the book, but he insisted that I was completely misunderstanding what Scott and Lewis meant. He hasn't the slightest notion of taking over the banks. He wants the Bank of Canada to exert a greater control over them. He agrees that a government can't get into the credit business in this way.

He also thinks that the programme outlined by Scott for the first period in office will more likely take four or more. He is very happy about everything and not, as I expected, extremely worried about the future.

15. 2 November 1943 [DP, QUA].
[Information in the following memorandum came from Phileas Cote and C.G. Power.]

... Phil Cote at lunch. The Bloc Populaire has missed the provincial boat in Quebec and cuts no ice. Duplessis is the opposition and to all purposes has the field alone. Godbout's stock very low. He says that Montreal Light, Heat and Power wants to be taken over and that Beauharnois and the others are equally eager. They figure their innings is over anyhow and crave to be acquired at boom levels.

Federally, he and Charles Gavan P. have been surveying the stricken field and counting noses. They agree that Quebec isn't as bad as generalities indicate. Cardin has ten safe seats-sort of pock et-boroughs. The Liberals have a good five ironclad ridings and probably 5 more. The Tories can count on winning Westmount and probably Brooke's seat, also other odd ones where they have a strong man provincially who would run for them - say 10 seats in all. The rest are whatnots with the odds on the Bloc.

They agree that as Bracken fades out, the Bloc also fades out. Quebec doesn't want to be out of office and hasn't become really conscious of the CCF as yet. The idea is that the Bloc could hold the whip hand over a large Tory group [*as in the case of the Quebec Nationalists after 1911*], maintaining it in power for considerations. But if the Tories don't seem to be panning out, Quebec will tend to flop back to the Grits. Actually he thinks the Bloc could get along very well with the CCF but this would be hard to explain to the man in the street and the habitant.

Chubby has retired for a week or so for one last pre-election drunk. He swears he won't touch the bottle again until after the next election. Chubby thinks it's coming about May.

16. 23 December 1943 [DP, QUA].
[Information in the following memorandum came from T.A. Crerar, Angus L. Macdonald, Graham Towers, W.C. Clark, Brooke Claxton, and W.A. Mackintosh. The rumours of Ian Mackenzie's retirement from active politics that Dexter reported were premature. Mackenzie had been minister of health and national pensions since 1939 and he became the minister of the department of veterans' affairs when it was created in 1944. He held this position until 1948 when he was appointed to the Senate. Dr. Beauchesne was Clerk of the House of Commons. The Howe line that Dexter claims everyone regarded as pure CCF, refers to the fact that Howe was beginning to argue publicly that full employment could be achieved easily after the war by continuing the wartime partnership of government, industry, and labour.

This plan may have seemed radical to T.A. Crerar, the source of Dexter's information on this point. [See Bothwell and Kilbourn, *Howe*, pp. 182-183.] Douglas Abbott's position as MP for St. Antoine - Westmount was not quite hopeless. Claxton was proven wrong-but only just-in the general election of 1945. Abbott held Westmount against Price by a margin of 60 votes in a total vote of 29,000. Claxton's claim that King changed from realism touched by pessimism, to an unbounded optimism, regarding an early end of the European war was exaggerated. During the Roosevelt-Churchill conference at Quebec city in August 1943, Churchill spoke to King about the probable duration of the war: "'We have got them beaten, but it may take some time.' I asked him how long. He said: 'One, pos-sibly two years. On the other hand, no one knows what might happen in Germany. It might be six months, but there is also Japan."' (Pickersgill, King Record, I, p. 534.) General Archibald Wavell was British commander-in-chief, Middle East, 1939-1941, and commander-in-chief, India, 1941-1943. H.H. Lehmann, formerly governor of New York, was director-general of UNRRA. Clifford Curtis was professor of economics at Queen's University.]

The prevailing custom continues: the Grits congregate at the club and bewail the inertia of the government. The only difference now is that cabinet ministers occasionally join in the lamentations. Old Alex out of long experience foretells complete paralysis and death. He draws parallels with 1910 and 1920 and 1929 and 1934.

I have been seeing much of T.A., a good deal of Angus L. I've had occasional whiffs of Mr. Howe and odd words with the intrepid mountaineer [*Mackenzie King*]. ... The cabinet is most unhappy. T.A. is more discouraged and fed-up than ever before and wishes that he could get out. He says that whether or no he goes into the Senate he doesn't think he will run again. He is out of sympathy with the current talk of social security. He is a hard-bitten individualist.

As to cabinet changes, King has not talked with the ministers, except in an oblique way. Bruce will probably know the inside story about Ian. The general impression here is that there is something in the story of his retirement. This is so for a number of reasons. King has complained of Ian's recent speeches, as being highly embarrassing. He also complains that Ian's political associates in B.C. are not helpful to the party. And it seems to be conceded that Ian has no chance at all of re-election. But at the same time, everyone likes Ian. It is thought that he has no chance of making a living for himself in law and that something should be done for him. King has a high respect for his knowledge of the rules, and the general idea seems to be that King would offer him the clerkship. Dr. Beauchesne has a very bad heart and is at retirement age.

It is also thought that King feels Chubby isn't a suitable cabinet representative of the Irish Catholics and has never been accepted as such. Hence the boom for Dr. McCann as minister of health. But if Ian went, the obvious successor would be Gray Turgeon who is Acadian French and Catholic. This, with McCann, as T.A. points out, would means some 10 or 11 R.C.'s in the cabinet - which would not be satisfactory.

King has been considering the creation of a reconstruction portfolio. Howe wants this portfolio very much, as his public speeches show. In the presence of one minister, King innocently asked Howe if he thought that Brooke would make a good minister of reconstruction. Howe was desperately set down and replied that he had never thought of it etc. etc. Howe's speeches have caused trouble in cabinet: So far as I can make out, everyone disagrees with Howe and regards his line as pure CCF. Brooke, of course, hasn't heard a word of promotion to full cabinet rank. He has, in fact, had a very attractive offer from Lehmann to be assistant director of UNRRA. To accept would mean temporary retirement from politics. His personal position has improved, he thinks, and he feels confident that he can carry his riding. But Doug Abbott's position is well-nigh hopeless. Maj.-Gen. Price is to be the Tory candidate in Westmount against Doug, and Brooke thinks Price a sure winner.

Coming to the brain trust, I've talked with Towers and Clark and Bill Mackintosh. I think they are discouraged. They have done a good job on health insurance. The new postwar housing policy has been thoroughly worked out. Curtis did the main job here. Clark is completely sold on family allowances as the only effective way to deal with slum clearance. You have to give the boys the money to buy the houses that you intend to build for them. That is a little crude, but it has the idea. The difficulty in past housing schemes was to meet the needs of the lowest and largest income group. The revised family allowance scheme, however, is a graded one - by size of families and by age groups. But the brain trust can't get the cabinet to act, to come to grips with postwar problems.

And underlying the whole postwar problem is the difficulty re income and corporation taxes and succession duties. For the period of the war, the Dominion has exclusive jurisdiction by agreements with the provinces which expire one year after the end of the war. Unless the Sirois recommendations can be carried through and the British North America Act amended to give Ottawa exclusive jurisdiction in this field, the brain trusters see nothing ahead but frustration and impotence. The

richer provinces will come back into these tax areas. The weaker provinces will have to do so, once the duality of taxation is re-established. The Dominion will be hamstrung on its whole postwar policy - since it will not be able to impose the taxation required to finance postwar reconstruction. If it did, the weaker provinces would be ruined. You will understand. But, again, Mr. King shows no inclination to act. He seems to want to avoid any collision with the provinces on matters of jurisdiction. Perhaps he desires the CCF to have a monopoly of this sort of thing.

I should have said that Howe is showing signs of wear and tear. He is now away for a holiday, but in appearance I think he looks worse than Ilsley.

Angus L. was diagnosed at Johns Hopkins as having a duodenal ulcer. He cannot have an operation and anyhow I think they would want him to rest up beforehand, and he has no time for rest now. They have put him on a strict diet and routine. They told him that if he wants to live he must obey their rules.

The McNaughton problem appears to be still unsolved. Somebody who should know, though the name eludes me, told me (perhaps it was George Currie) that McNaughton was to be retired and brought home. T.A. says that the matter is now before cabinet and King is opposed to this course. He thinks that the moment McNaughton is out of uniform he will join up with Bracken and attack Ralston and the government.

On the general political situation, Brooke is very optimistic. He thinks King could win hands down if he would do certain things - bread and circuses at home and good international policy abroad to get as much trade as possible.

He has no doubt - and most of the inside folk agree - that King has arrived at certain decisions as to the election. He says that King changed over from a realism touched by pessimism to an unbounded optimism re the European war, last August at Quebec city. All the advices that have reached him since then have tended to confirm this optimism. King, he says, expects Germany to collapse by March, and Brooke thinks that King has a plan in mind based on that contingency. He wants to hold the Dominion election before the Saskatchewan election, and the Saskatchewan election is slated for the summer. King will go to the country, Brooke thinks, as quickly as possible after Hitler quits.

Brooke is still pessimistic but said that everyone who should know what is going on in Germany agrees that they are nearing or at

the breaking- point. There were many highly intelligent and responsible men at Atlantic City who possessed immediate first hand knowledge of conditions in Germany. He was astonished at the extent of the traffic to and from. The Norwegians, for example, are able to send people in and bring them out at will. The main highway is the fishing fleets that operate out of Norway, Denmark, Holland, Belgium and France. This appears to be a highly efficient operation. Many of these people thought Germany would crack before the end of this year.

On the second front, nobody seems to know except that there is the greatest reluctance to undertake an attack across the channel. George Currie says that the Germans have scored heavily in holding us up in Italy and causing a great diversion of essential shipping and supplies. Apparently the proper place to make the second front is in Russia, and Churchill and Roosevelt have been arguing that Stalin should let our armies take over the southern half of the Russian front. I am told that Wavell at one time had an army moving across the Russian boundary. But the Russians won't have this. ...

17. 3 February 1944 [DP, QUA].

[Information in the following memorandum came from J.L. Ralston. General A.G.L. McNaughton resigned as general officer commanding-in-chief, First Canadian Army, on 26 December 1943; General Kenneth Stuart was appointed chief of staff, CMHQ, 27 December 1943. Dexter gives a very terse account of the tensions and conflicts accompanying McNaughton's resignation as the commander-in-chief of the Canadian army. Prudent counsel, like that of Dexter in the following two memos, and of the prime minister, dictated that McNaughton's resignation be based solely on grounds of ill health, so that the prestige of McNaughton and with it the morale of the Canadian army could be preserved unimpaired. Ralston, stung by McNaughton's initial accusation that the minister of defence was personally behind his removal as commander, and far from pleased at McNaughton's subsequent emendation that Ralston was acting at the instigation of the British generals, found it hard to let McNaughton's resignation be attributed simply to ill health. And McNaughton too made this difficult by declaring on his return to Canada to reporters in Montreal that he was perfectly fit. Nonetheless prudence carried the day. Ralston did make a statement in the House of Commons on 11 February 1944 that Prime Minister King found "devoid of provocation." (See Pickersgill, King Record, p. 626.) This left McNaughton free to fight another day, though not as commander-in-chief of the Canadian army.]

Have just left the Col. who went over his McNaughton file and read me the statement he proposes to read to the Commons tomorrow. The case against McN. is overwhelming, in my judgment, though I think the Col's proposed statement is most injudicious.

The record begins at Washington in the spring of 1943 when Brooke spoke to Stuart about McNaughton's unfitness-ascribed in large part to physical exhaustion but not excluding incompetence for command. McNaughton had fallen down very badly at manoeuvres held earlier in the year.

When Ralston went to England in August both Brooke and Paget took the matter up with him on their own initiative. They didn't demand action. They did give very clear opinions. Paget is the O.C. of the 21st army group which includes the Canadians in England. Ralston felt that time might improve McNaughton's health so he didn't raise the matter with him personally, and anyhow he was recalled suddenly to sit in at Quebec.

On his return to England in October, both Brooke and Paget again raised the matter and said that far from improving, McNaughton's condition was definitely worse. After much "prayer" and wrestling of spirit, the Col. went to town with McNaughton who, to his surprise, "took it like a man and a soldier". But the day after he and the Col. talked, McNaughton went to Paget and came away under the impression that Ralston had been the aggressor. He promptly sent an abusive wire to King, charging the Col. with having intrigued behind his back to get rid of him etc. etc. Ralston took this up with Paget who repudiated McNaughton and McNaughton promptly produced his notes of the conversation which didn't help matters forward. There followed a meeting of Paget, McNaughton and Stuart at which no punches were pulled and in which Paget told McNaughton to his face that in his judgment he was unfit to command in the field.

The only real row between McNaughton and Ralston prior to all this had been over the despatch of a second division to Italy which McNaughton had resisted tooth and nail, on the ground that it destroyed the dagger at the heart of Hitler-the Can. army in England.

Following the three-way talk, McNaughton sent a cable to King accepting the verdict of Paget and Brooke and offering his resignation to be acted upon if as and when. Ralston went to Sicily and was joined a few days later by Stuart who brought along a medical certificate from two top-notch doctors declaring McNaughton to be in an exhausted condition and unfit to continue. They recommended three months rest to be followed by a medical examination. On his return to England, a second examination was made and the earlier verdict confirmed and emphasized. The doctors now said that relief from command was essential and speedily.

McNaughton was in bed and Ralston, because McNaughton in his wire to King had withdrawn his charges against him, went to see him and discussed everything amicably.

A few days later McNaughton wrote to Price Montague to say that he could not carry on and to advise the minister that an immediate successor was required. He intended to return to Canada and rest up at the Seigneury Club. Stuart was appointed, because of Crerar's absence in Italy and the uncertainty of his return.

The Col. feels that, in fairness to the House, he must drag in the question of McNaughton's unfitness to command as well as his physical unfitness. My advice was to meet McNaughton and go no farther. Let McNaughton carry the war to him-which he assuredly will do. The Col. agrees that the main attack will be personal against himself and on the nationalist ground of splitting our army. He [McNaughton] will probably charge that this is a conspiracy by the British to avoid an increased sense of nationalism in Canada etc. etc.

18. 10 February 1944 [DP, QUA].

[Information in the following memorandum came from J.L. Ralston.]

Col. Ralston read me this morning the statement he intends to make in the House of Commons on McNaughton. He confines him-self to the health question except that in the last 100 words he admits there have been differences of opinion. He goes into no detail and, since McNaughton is sick and out of the command, he argues that no good purpose is to be served etc. etc. I tried to get him to take out the sting but he really has his spurs set for McNaughton-on account of things McNaughton has said about him, notably the first cable to King-and while, like the good Baptist that he is, he is a little mealy-mouthed about it, I think he wants nothing more than a good back-alley fight.

King had reported to him at length on the lunch at Laurier House. The most interesting thing was that McNaughton has not yet got it through his head that he is retired from command of the army. He regards himself merely as being on sick leave and every word he spoke conveyed the idea that he is going back in command at the end of his sick leave. The lunch was chiefly a report by McNaughton on the army and his future plans with respect to it, the low-down on the war etc. etc. At the end he opened up on the British general staff and Gen. Paget and Ralston, who he declared had a colonial mind.

McNaughton insists that he is the victim of treacherous conniving on the part of Brooke and Paget and he hates Ralston for lending him-self and the Can. govt. to this job of destroying a great Canadian soldier etc. etc. Look how Borden supported Currie and so on. Willie kept his mouth shut and, so far as I can make out, went in for spectacle-twiddling in a big way.

19. 12 February 1944 [DP, QUA].

[Information in the following memorandum came from Hume Wrong and W.A. Mackintosh. On 5 November 1943, the American Senate adopted the Connally resolution, calling for United States' participation in the "establishment of an international authority with power to prevent aggression and to preserve the peace of the world." What Dexter refers to as the Halifax proposal was contained in a speech made by Lord Halifax, the British Ambassador in Washington, at the Toronto Board of Trade on 29 January 1944. Halifax foresaw a postwar world dominated by three great powers-the United States, the Soviet Union and China-with Great Britain and the Commonwealth a possible fourth provided that its members were brought into closer unity on foreign policy, defence, economic matters, colonial questions and communications. In the speech to which Dexter refers, Field Marshal Jan Smuts had suggested that Britain and the smaller states of western Europe form a federal union which would be able to hold its own among the other great powers. O.M. Biggar, a prominent Ottawa patent lawyer, was chairman of the Canadian section of the Canadian-American Permanent Joint Board on Defence.]

I've been going to write a memo for more than a week but seem always to have lacked time. The trouble is that unless information is committed early to paper, it passes out of mind.

Postwar World: As you will be noticing, comment is now running at full flood. ... The situation, as I am told it, is very worrisome and uncertain. There is plenty of worry and apprehension in the East Block and it will grow worse not better as the months pass.

Hume Wrong tells me that there is a fairly sharp division of opinion as between the Big Three as to how to go about creating the brave new world. There are two courses: (1) to create a world community or society out of the United Nations, but open to all comers who will abide by the rules, and proceed with this as the base of all future development and (2) to create the postwar world with the Big Three in the role of creators and, after some years, to set up the society of nations to take over and maintain what would then be a going concern. If you consider these in the sense of priorities, it is true that the British government and Roosevelt-together with a substantial part of his administration and experts (including Welles)-give first priority to the

Three Powers doing the job and then creating the world society later on. Russia also favors this course but is not a serious factor because she is almost exclusively concerned with her own internal and boundary problems and has little energy left for the outside world. Hull and a few of his lieutenants give first priority to the creation of the [world] society with all the rest of reconstruction to be done by it or in its name. He didn't pursue the matter further. We, of course, ardently support Hull but I doubt if our influence would count for very much.

The British-Roosevelt formula has been followed and very successfully up to Moscow. UNRRA, the food conference, monetary policy, tariffs etc., are all being taken on in advance of the world society.

When the Moscow conference was arranged, Hull decided to make his objective the obtaining of a declaration in favor of the society of nations. He fought like a lion and won his point but the British really take no stock in this declaration, nor does Roosevelt. Hull also got the Connally resolution through the U.S. Senate and a similar one through the House of Representatives. But these formal expressions of opinion are generally regarded as not meaning very much. Certainly they are not thought to mean that the Congress would ratify a treaty along this line.

In the debates on Moscow and Teheran in the British House of Commons it is very clear that no reliance is placed in the Moscow declaration for a society of nations. Eden practically dismissed it and in doing so ascribed its paternity to Hull. He went as far toward disowning it as he could.

It is true that Canada was of service in helping Hull win out at Moscow. The text of his proposed resolution was circulated in advance of the conference. We came down ardently in support of it, suggesting amendments which made it even stronger. Some of our suggestions stuck and appear in the text of the resolution.

The position of the British government, therefore, is reasonably clear. They desire to begin with a three-power world and by thus doing they validate the Halifax proposal. The stronger Britain is, in this period, the better able she will be to influence events etc. etc. And without a doubt all the heat the British can generate will be applied in this direction at the forthcoming imperial conference.

At Washington, Roosevelt can argue that the power-world approach is the most practical from the point of view of getting the U.S. into world affairs. Piecemeal commitments instead of a great

commitment in favor of a world society, undertaking an obligation here and another there, acting always as a sovereign power rather than as a member of a league of nations and so on. Of course, the difficulty is that if they start this way, they may never get to the second stage at all. By the time the power world is well launched, the world society may be unobtainable.

Wrong thinks that because Roosevelt's mind is running along this line, he would not be at all out of sympathy with the Halifax idea. He would think it sensible for Britain to be as strong as possible, where power will count for so much. But Wrong does not suggest that Roosevelt would ever express an opinion on such matters or interfere in any way.

Hull's influence, he says, can easily be overestimated. He is very old. He is scoffed at a good deal as being Wilsonian in his ideal-ism-all for far-reaching, sweeping principles and nowhere at all on the detail and follow-through. Critics of Hull argue that to follow his lead would be to play right into the hands of the, isolationists, that Roosevelt is much the better politician.

I am just giving you the background as I get it, without getting any other matter mixed up with it. Our people think that as things develop, the influence of the small nations, with Canada in a leading role, will swing things towards Hull and away from Britain and Roosevelt. This is what happened in UNRRA. The Big Three will, perhaps, not be able to swing the small powers into line-note the response in Europe to the Smuts speech-and will have to compromise. Certainly there is absolutely no sign of weakening in the East Block. If there is not to be the alternatives of a society [of nations] or a power world to choose from, our position, on the second line of defence, would be that we cannot go into any deal with Britain or the Commonwealth which excludes the U.S. and, perhaps, Russia on account of the realities of our position. You will know all about that. And if King torpedoes the Commonwealth centralization plan, as I think he is sure to do, the British may well change their tune and shift over towards Hull. If Britain finds that she cannot be a real whopper of a power, she will be looking about for small-nation friends and will seek her ends as the voice of smaller nations in a world society etc. etc.

Tariff: Negotiations have been proceeding between the U.K. and the U.S. for some months. These negotiations reached the point in January where we had to be called in. U.K. opinion has undergone a steady change since a year ago when the barter and bilateral postwar

system was strongly favored. Bill Mackintosh, Graham Towers and the others take some credit for this change-how justly I do not know. They were over last August and September talking monetary policy and the British took occasion to tackle them on trade. Their line was that the British would lose their shirts if they clung to this line, since the U.S. economic power must inevitably be swung in such a way as to destroy the value to Britain of the preference in the Dominions. I note a series of articles just completed in the Economist which I fancy must expound the new line and which might well be worth a piece, as indicating that Britain finds she can-not solve her economic problems within the Empire. This would set back our Tory friends in the Commons who are arguing contrariwise. The Mackintosh-Towers line of argument was that, if the bilateral policy were followed, Britain would be up against appeal decisions by the various Dominions to reduce the preference as a means of getting better terms in the U.S. market. For example, Australia would turn up at London to beg everybody's pardon but to call attention to the fact that Australia needed a greater market for wool and could find it in the U.S. at the mere cost of cutting down the preference to Britain on this or that. In the end, Britain would have lost her preferences and gained nothing worthwhile for them. She would have boundless love and affection but no business.

The U.S.-U.K. negotiations proceeded on the multilateral trading line and have reached the point where the Dominions, Canada in particular, had to be called in to comment on the butchering of the preference. That is, Britain is eager to abandon the preference in return for better markets in the U.S. and the fairly certain prospects of better markets the world over.

Johnny Deutsch, Bill and the others cheered on the negotiations which have now reached this tentative agreement. The U.S. and the Commonwealth nations will hold their general tariff unchanged and high as an inducement to other nations to come into the freely trading area. They will cut their intermediate tariffs 50 per cent and, thereafter, by a certain amount each year, say, 5 per cent. The British preference will be held steady so that, considering the 50 per cent cut in the intermediate tariffs, the preference will be greatly lessened and, on most items, will be non-effective.

The U.S. argument is that the one essential for success in Congress is that the preference be done away with or virtually so. So long as the Commonwealth retains a preference which excludes the U.S. there is no hope of success in Congress. But if the new deal can be presented as

abolishing what the Americans regard as discrimination, the chances of success are excellent. The approach in the U.S. would be by a statute enabling the government to reduce the tariffs (like the Hull policy) and not by a treaty.

The chief difficulty remaining is more technical than practical, though it is very bothersome. In past years a practice has grown up of shoving things into the preferential free list notwithstanding that the items did not really affect trade. The Canadian preference, for example, gives free trade on autos. Of course Britain doesn't export any autos to us worth mentioning and the item is not really effective. Our effective tariff is against the U.S. The proposed agreement while it would cut our tariff against U.S. autos in two would still leave a paper preference to Britain-which would embarrass the U.S.

The point here is that for us to give Britain free entry would make any agreement with the U.S. short of free trade impossible. And our people think that the complete elimination of our tariffs at one blow is not practical politics. The stage-by-stage procedure is held to be the wise one.

There are very high hopes that this deal will be pulled off and in a matter of months.

Halifax: you'll be interested to know of the interchange between Halifax and Mike Pearson. Halifax had sent a copy of his Toronto speech to Mike some days prior to delivery. Mike had been too busy to read it. He didn't read it until the day it was delivered. Halifax was astounded by the controversy he provoked, and on his return called in Mike and asked him if he would have known, in advance, that the speech was controversial. He (Halifax) was astonished when Mike replied in the affirmative. Halifax greatly regrets having made the speech, has written apologetically to King etc. etc. I suppose his real anxiety is lest he has spoiled the pitch for the conference [*of Commonwealth prime ministers in May*].

Your leader of Feb. 4 on the constitution and the forthcoming Dominion-Provincial conference was excellent and I think can be carried much closer to the immediate problems. The problem is that the provinces, which possess the jurisdiction in social matters etc., lack the financial means to discharge these responsibilities. This impasse disappeared in the war when the Dominion became all powerful and when agreements on income, corporation taxes and succession duties were reached whereby the Dominion held the field for the duration of the war and one year after. Moreover, as a war measure, the Dominion guaranteed certain provincial revenues.

Thus the war conferred upon the Dominion the jurisdiction as well as the financial resources-of course only for the war.

The social security programme now announced I think might be interpreted, carefully, in the sense that the Dominion has recognized its responsibilities under these circumstances. No doubt the Dominion realizes that the war may go on for a number of years-the Japan end-and that actions could not be indefinitely postponed.

It is only reasonable to suppose, however, that the Dominion will only recognize and discharge this responsibility so long as the financial resources remain in its possession. It is questionable if the Dominion would try to shoulder the financial burdens of this programme if the provinces again took possession of these financial powers. The continuance of this programme probably turns on the Dominion remaining in possession of the taxation powers. If the provinces assert their rights after the war, it is to be presumed that they will take over from the Dominion the responsibilities that go with them. Bill Mackintosh tells me that this is the line that King will take at the forthcoming conference. It is certainly putting the blocks to the provinces. I tried Stuart Garson's compromise on him. This compromise is very hush-hush and ought not to be tipped off. It is that the Dominion should continue to discharge the responsibilities where a particular province does not reclaim its taxing powers. Bill thought this a very good idea. He agrees that six of the nine provinces would tag along for certain on this line and that British Columbia would find it very difficult to stay out.

I think it very clear, too, that this social security programme will improve the position of the provinces. Children's allowances will cut the cost to the provinces of their mothers' allowances. The federal payments to the children would be deducted from the provincial allowances. The whole unemployment problem will be vastly simplified because children will not be a factor in payments, nor will medical costs.

It seems to me that we can think our way through this on our own and discuss it-without spoiling Garson's proposal.

Have been talking a good deal with Mr. Hudson. He tells me, to my surprise, that Sir Lyman Duff would be delighted to become Governor General. His sister is his official hostess and would do it nicely. She used to teach school in grades three and four-much the best preparatory training for Rideau Hall that I've heard of.

There is also a move afoot to get Mowat Biggar into the Supreme Court in place of Duff. This is a swell idea. He can qualify

as an Albertan, having practised in Edmonton for 15 or 20 years. He has had a fairly severe stroke but this wouldn't embarrass him among the present judges. Their heads apart, I doubt if one presentable human body could be contrived out of the lot of them. A.B. [Hudson's] knees are slipping, actually as well as figuratively. Mr. Justice Davis has cirrhosis or whatever it is of the liver, I am sorry to say, is the Casey Jones of the outfit. But I mustn't overdo levity.

20. 7 April 1944 [DP, QUA].

[Information in the following memorandum came from Fred McGregor and Robert England, secretary, Committee on Demobilization and Rehabilitation, Department of Pensions and National Health. The differences in national attitudes and policies in respect to combines, as described by Dexter, made it impossible for the United States, Great Britain and Canada to reach an agreement on international cartels. During the year he held a Guggenheim Fellowship, Robert England wrote a book entitled Twenty Million World War Veterans (Toronto: Oxford University Press, 1950).]

There is a row going on about the control of international cartels. As a result of the investigations which have been made by various committees at Washington and of the publicity attending Thurman Arnold's enforcement of the anti-trust act and of the long tradition of trust busting in the U.S.-as a result of all these, the U.S. government has been pressing for negotiations on international cartels looking toward an international agreement for their suppression.

In the beginning, Washington approached London and when negotiations here spinned out interminably, Canada was called in. There are differences in the law in all three countries. I am not clear what these differences are, precisely, but in a general way it may be said that: The U.S. law declares all combines illegal, regard-less of the nature of their operations. This declaration, however, applies only to the domestic picture. Nothing in the U.S. law operates against a U.S. combine which operates in other countries.

The British law is very weak and uncertain in this field and, in fact, the United Kingdom is the most trustified of all democratic countries. Moreover, British interests operating in the colonies and, perhaps, in India, run various combines and co-operate or are members of various cartels-tin, sugar, rubber and so on. These international combines are regarded by the British as very profitable to themselves in the sense that most of the earnings due to arbitrarily high prices come out of non-British purchasers, chiefly in the U.S.

The Canadian anti-combines act does not apply to international cartels. And in its application to domestic monopolies or combines it draws a fine line between what is illegal and what isn't. Combination is not illegal unless it can be proved to be against the public interest. But any kind of price rigging is automatically condemned, whether or no it could be proved that the fixed prices are reasonable.
The U.S. has got nowhere with the British govt and it looks as if the only progress possible would be limited by what the British regarded as necessary to prevent an open break and publicity.

The Canadian government as yet has made no response. The U.S. representations lie on King's desk and there is no reason what-ever to assume he will not go all the way against cartels. But he is so over-loaded and sunk with other business which seems more important that he has not reached this and perhaps wont do so for months. There is no other minister competent to deal with it.

The U.S. proposition is two fold: An international agreement whereby all signatory countries undertake automatically to suppress international cartels. As second preference, if the first fails, the agreement should provide that each signatory undertakes to prose-cute a cartel of which its nationals are members upon receipt of a complaint from another signatory.

Fred McGregor, our combines expert, is deeply interested in all this and, of course, wants to support the U.S. He points out, however, that there is absolutely no competent administrative machinery in this country for carrying out commitments of this order. He would prefer to go forward by easier stages and expects, of course, that Willie will consult him before deciding on policy.

How would it be as a first step to agree internationally that all cartels must register in their respective countries and must file with the government and make available for public inspection copies of all agreements on price or division of markets or restriction of output or on any other technique of operation? This would materially simplify the administrative side although open to the objection that registration is a kind of recognition. It would, however, greatly facilitate prosecution.

There are difficulties in the way of all this, as he points out. If tackled in a real way, it will be the biggest kind of stuff. He is recently back from Washington and says that the very first complaint which will be addressed to Ottawa from Washington will be on the newsprint industry. Nothing would be more popular in the U.S. than such a

complaint and nothing, says Fred, would raise more political hell in Canada where the newsprint industry has been brought to its present high state of combination and price control under the direct encouragement of two provincial governments-Ontario and Quebec. Both provinces would rise up and fight for the newsprint combine and other provinces no doubt would rally round-B.C., Manitoba and New Brunswick.

He is for this fight provided the government is determined to go through with it and not run out under fire.

He left me with a copy of Corwin D. Edwards (chairman of the policy board, antitrust division, dept of justice) summary of the senate inquiry. I seem to recall seeing a copy of this at Winnipeg. If not, I would suggest you all get copies from Chester Bloom.

Bob England arrived in town the other day to try and straighten out the Tracy Phillips show. The Adjutant General tabbed him enroute east about demobilization but Bob was not interested. He has been offered a Guggenheim scholarship to do the definitive book on military demobilization. He has the home of his dreams on Patricia Bay. His library, duly unlimbered on the shelves, gladdens his heart. The B.C. University is at his disposal and Guggs have given him a free run on any book he wants whether by purchase or by loan from any library including the Library of Congress. He is set for a year's sweet labor with his garden just beyond the study door.

He has no confidence in the Adjutant General apart from an acknowledgement of the A.G.'s charming social gifts.

Wishing to help the Col. all I could, I tipped him off to Bob's whereabouts and gave him an inkling of the difficulties of getting him. The Col. moved in shock troops and tanks at 8 a.m. this morning and Bob phoned me an hour ago to report.

If I ever knew Bob's story I had forgotten it. As a result I find it extremely interesting and amusing. Bob fought steadily with what he calls the Bloody Brass Hats for upwards of two years, finally gave up in disgust and got out. He fought with them over the machinery of demobilization.

He told Ralston - how delightful - that it was useless for the Col. to talk to him. If the Col. would send a questionaire abroad to Crerar, Stuart etc. etc., he would speedily discover that the regular army had no confidence whatever in him and therefore there was no use in proceeding with the conversations. The Col. thereupon, with masterly strategy, suggested that perhaps the approval of the regular army would not be as important as Bob thought. Bob countered with the

argument that the army setup was a permanent force setup and it was impossible at this stage to introduce what he termed the civilian mind. If this were not true, it would be incredible. Bob then proceeded to say that he could not possibly work, under any conditions, under the Adjutant General since he had no respect for his capacity. ...

The poor Col. Whatever path he seeks out of encirclement, he finds himself pinned down by the same deadly trap-the permanent force. ...

21. 22 June 1944 [DP, QUA].

[Information in the following memorandum came from Arthur MacNamara.
The conscription ramp was instituted on 19 June by C.P. McTague, speaking at his own nomination meeting in Guelph, Ontario. He urged that home defence con-scripts should be sent overseas by order-in-council under Bill 80. His proposal was endorsed immediately by John Bracken and two days later by Premier George Drew of Ontario.]

Just a note: home last evening and have collected all the clips on the Tory conscription ramp. Am going to see Ralston, Macdonald, T.A. and perhaps King and St. Laurent this afternoon. I want to see if there is trouble within the gates. I do not think there is and I rather gather King will ignore the Tories or vote'em down-though there may be bolters from Ontario and his own law of party discipline vanishing as parliaments reach their last gasps will begin to operate agin him.

My own thinking on the thing is not too hot but it appears to me about like this. There are, as you and Victor point out, two points involved:

1. war need
2. abstract justice.

On the first - if and when reinforcements necessary-there isn't any dispute. Everything goes. That is the law of the land agreed to by all parties. But no such emergency does exist, except in the mind of Brigadier Mess and the Tory party.

Pending confirmation by Ralston, I am informed by MacNamara that there are 160,000 active service guys in Canada of whom 100,000 are available for overseas service. In addition, they plugged 10,000 additional reinforcements into England (additional to normal requirements) and the pot over there is fuller than it would ordinarily be. Casualties continue to run below expectations. There are sufficient reinforcements as far as the record goes to keep our divisions at full strength until about next February.

Ralston needs 5,000 per month and in the past few months has not been getting this total. The reason is that Angus has been taking from 2,400 to 2,600 men per month instead of 1,000. But I will be telling you all this on the phone.

My point is that no crisis exists or is to be apprehended.

The abstract justice case was decided on Bill 80 and my recollection is that the Tories voted for it. Therefore if they can't prove the crisis they have no case on the other, unless they admit they have been wrong up to date.

But I do think the zombies should be doing something useful and I understand there is trouble between Ralston and the Labor Department on this score. He has only 50,000 zombies who are fit for overseas service. The rest are lower-category men. He has 35,000 on defences on the two coasts and he won't reduce them. Apparently he accepts orders here from the Joint Defence Board which has worked everything out for both the U.S. and our coasts. Even so what about the rest. Labor wants to organize them in mobile labor units to tackle farm work, fruit picking and all kinds of things-railway maintenance-where great shortages exist. He won't have it.

If I can get at the facts, I think we should give the Labor Dept a leg up on this, though his point about coast defences I think is unanswerable. ...

22. 23 June 1944 [DP, QUA].

[Information in the following memorandum came from Lillian Breen, private secretary to the minister of national defence, Hugh Keenleyside, Department of External Affairs, and J.L. Ralston.]

On the need of men for overseas service: I assume that the figures you used in the leader are drawn from the May issue of *Canada at War*, which are the latest available. Your casualty figures came, I also assume, from a more recent statement by Ralston.

I find on reference to Miss Breen that very little statistical information has been given on army strength in the present session. It has been different in earlier years. We know the facts but what we want is for publication and I']] work only in this sphere.

Best source is Ralston in Commons on Feb 11 and 14. But in June issue of Canada at War army strength-as distinct from enlistments - is given at 465,000 of which overseas strength is more than 245,000. This leaves 220,000 at home. From this home strength of 220,000 must be

deducted the Zombies. Ralston, page 458 Hansard, gave the strength of NRMA as at end of fiscal year (last March 31) at about 70,000 which he later cut down to 60,000. This, in turn, leaves 160,000 active service men at home. It must be assumed that many of these are below fighting category, overage and so on. But making all allowances you would be safe in stating that better than 70,000 are available for active service and awaiting despatch overseas. They are reinforcements. We'll deal with the Zombies later on.

Ralston told Parliament on Feb 14 that the reinforcement pool overseas (which would be additional to these 70,000 men) has been kept above strength, and strength is calculated on the expected battle casualties. Weighing all factors Ralston announced Feb 14 that the overseas army would require enlistments of 4,000 per month. The Zombies would require 1,000 per month. Total demand 5,000 per month. Ralston on page 459: "If we achieved this intake of an aver-age of 4,000 general service men per month it would see us at the end of the fiscal year (March 31, 1945) with reinforcement pool overseas maintained at adequate strength, and it would see us with sufficient men in training centres to fight on during 1945." Again page 459: "I think we have made ample provision in this respect, and therefore I think I can say to the committee with considerable confidence that our reinforcement position for the fiscal year before us is well provided for."

There is no official information on the intake. Ralston said that in the three months preceding Feb 14, the intake had fallen slightly below the quota and, privately, we know that the intake has been below the quota. We know, too, however, that Chubby took far more than he contemplated with the result that he is jammed full of trainees and has signed off completely until October. We know, from Angus, that he has taken around 2,400 to 2,600 instead of his quota of 1,200 to 1,300. He has done so because the ships are available and the summer is the best training period. He, too, is reducing his intake next month and will compensate by dropping to 500 per month as of September. I can find nobody inside-Ralston still to be seen this afternoon-who has the slightest anxiety on this point.

On the Zombies: No official breakdown of what they are doing is available except in terms of percentages. Ralston first gave a figure of 70,000 of which he said that 47 per cent are on operations including home and coast defence, Labrador and Newfoundland, Caribbean, Kiska (if they're still there) etc.; 14 per cent are on non-operations, meaning essential jobs in military establishments - cooks, fatigues of

all kinds, administration etc.; 20 per cent are in training; 8 per cent are in depot for re-selection; 7 per cent are on leave to do farm work, lumbering, fishing and so on. These lads have been on leave so long, he said, they might as well be stricken off strength.

The main slug of the zombies-the 47 per cent or about 33,000-are on defence assignments in keeping with the recommen-dations of the Permanent Joint Defence Board. This defence is of the same standard as that obtaining in the U.S. and I don't see how you can avoid this. If these men were not doing it, active service men would have to do it.

Defence Board chaps, apart from Ralston or the brass hats-Hugh Keenleyside for example-point out that our vital coastal centres require sufficient protection to guard against a suicide raid undertaken purely for the purpose of destroying a port or rail head. If such a thing could be done it would yield very high profit to the enemy-Halifax or Prince Rupert, Newfoundland bases and so on.

I fancy-Brucie would know best-that our coastal areas would yell to beat hell if left defenceless.

Then you have the Zombies in training who aren't available anyway. There are those who are actually doing work on the farms and so on. It boils down to a pretty small number of which, I guess, the veterans guard would be the major item.

And anyhow Ralston keeps on insisting as in February that the NRMA is a backlog in case of real need overseas: they are available for overseas service if conditions like those of 1917 recur.

Later-

Have seen Ralston who is perfectly satisfied with the situation. He only got on to Mess last Sunday night and has called him to time-rather late in the day. He has enough reinforcements to see us through this year come what may and probably enough to go a good way on into 1945 without any more recruits. But the recruits are coming in okeh. He has been falling behind a few hundred a month lately because Chubby and Angus have been "chiselling" but he has put down his foot and Chubby is vacating and Angus is piping down.

Nobody, of course, will get a single conscript off him except over his mangled corpse. His figures, which cannot be used, are 34,000 on essential defence-essential whether by conscripts or general service. There are 14,000 in essential jobs-ordnance, depots of various kinds and so on. ... There are 10,000 in the training stream.

There are 8,000 on leave and so on. He accounts for every one. The veterans guard, by the way, is general service. You can use the figures given earlier in the memo, or rather the percentages, but not these.

If the Tories move an amendment he will make a complete statement. He will never say he is satisfied but he will say there is no pre-sent crisis.

One point came out of our conversation which had never occurred to him or to me but which seems to me of the very highest importance. The Globe and Mail and others keep on shouting about having two kinds of armies-volunteers and conscript. I assumed that if we had conscription we would have but one army - a conscript army. This shocked the Col. profoundly. That, he said, could never happen. Our overseas army and our volunteer army at home would never tolerate such a change-never. He cannot see how we could use a conscript battalion along with volunteer battalions. On no one point, he said, would the overseas army have more profound and unalterable feelings. I prodded him on this but he was immovable. The only possibility in a crisis would be to follow the course of the last war and try and feed conscripts into the ranks overseas. He recalls what happened in 1918 and said that there were never lepers such as these poor lads.

He thinks that by all means we must push the present system to the point of breaking and, having regard to all factors, he thinks this system is producing men better than a straight conscription system.

You people better think of this one. If you agree we might ask the Globe and Mail how it is now proposed to get away from the dual system-by making our volunteers conscripts?

He went on to say that all the trouble was by no means in Quebec. He showed me reports on English-speaking battalions where 71 or 141 or a relatively small number had been talked into volunteering. The reports he showed me were from western Ontario units. He remarked, by the way, that two battalions of Zombies are held in the Niagara peninsula guarding the hydro and that he has completely failed to persuade the Drew govt to let them go and thus save manpower. I suggested he bring this fact out.

The old boy is in good shape-smooth but firm. The truest thing he said was that he never had been able to bear being satisfied with anything. A deep and abiding sense of dissatisfaction, he said, was the first essential, with him, to happiness. “That’s the Baptist part of me.”

Inquired rather closely about how things were going with us all remarking, very frankly, that nothing would please him more than to hear that Victor was having trouble. Victor was always, he said, able to explain to him how everything could be organized perfectly and it would be very nice to know that he was finding his theory a little difficult to apply at home. I didn't rise to this one. Assured him, which is perfectly true, that we are just one happy family. "There aren't any gardens of Eden in this world", he said, "and I can wait very happily."

Am running some parallel lines of my own on this business. Have gone over my files and checked up more fully in the 1917 debates. The parallel is very clear. Everybody-Borden, Bennett, Meighen etc.-were opposed to conscription in the last war until it became absolutely inescapable. Meighen is particularly good in saying on the second reading of the Military Service Bill that the govt had known the hopelessness of the situation for months but had delayed action in order that the proof should become "overmastering" and therefore the country be unified in support of the policy. It was essential, he agreed, to prove beyond all question, that the voluntary system would not provide enough men. Only in this way could public support be obtained. It was easy as pie to enact conscription. The difficulty was to enforce it and hence a united public opinion was necessary and so on and so on. Will do a piece or two along this line.

Also I would suggest that we should nail our own colors on the mast again. We support voluntary service so long as it will suffice. When it fails we, as in 1917 (prior to the 1917 crisis we had opposed conscription), will go for conscription regardless of consequences.
Also, would suggest something should be done, briefly maybe, to show that the plebiscite was not a vote for conscription. There are adequate quotes here from King, Hanson and Coldwell. It was a vote to free the hands of the govt, and King proceeded to give the pledge "not necessarily conscription but conscription if necessary." He said it over and over. ...

23. 24 June 1944 [DP, QUA].

[Information in the following memorandum came from Joseph Fisher of the Toronto Telegram, Norman MacLeod, and E.B. Jolliffe, CCF leader in the Ontario legislature. The most striking feature of the Saskatchewan election on 15 June 1944 was the CCF defeat of the Liberal government, but of no small importance to John Bracken and the federal Conservatives was the fact that none of the 36 Progressive Conservative candidates was elected. Julius Woodward was editor of the Saskatoon Star-Phoenix. Graham Spry was secretary of the Ontario CCF]

I have been mooching around trying to find out what is back of the McTague speech and the declaration in favor of conscription.

There's not much to go on among the parliamentary group of the Tories. They were not consulted as a party though Gordon Graydon and Brucie's pal Howard Green were at Toronto and attended the very select meeting which accepted Bracken's advice. So far as I can learn, neither of these chaps thought of letting the rest of the boys here into the secret with the calamitous result that McTague's blast came pretty much as a surprise even to such great Tories as Mr. Diefenbaker. He feels it a lot because he has been touted among the Tories as their manpower expert.

Not being in the middle of things, the parliamentary group does not seem to feel any immediate concern one way or the other. It is understood that Graydon is going to move an amendment to the bud get but the boys are not really geared up. They regard it as Mr. Bracken's business.

Apparently Bracken has paid little or no attention to the parliamentary group or to parliament. He has said, in effect, "you fellows look after the House; I'll look after the country." There is no com munion between the two. For reasons I'll try to explain, I think this important.

Joe Fisher, an associate editor of the Tely, is in town and he was either at the meeting or most of his pals were and he seems to be in the know. Norman McLeod was not at the meeting but he, too, seems to be well informed and both of them tell the same story.

Advancement of conscription as an issue is a deliberate act and the immediate result of Saskatchewan. The Tories seem to have been perfectly cold-blooded about it. There are three types of issue avail able: empire or external relations; war policies; postwar reconstruction policies. The great need, the Tories believed, was to get an issue which would really attract votes and, at the same time, would mark them off completely from both Liberals and CCFs. Moreover, ideally this should be an issue between Tories and Grits which would monopolize the election campaign and leave the CCFs quite out of the spotlight.

The first class of questions is impossible because the votes affected are already in the bag. An empire policy is no go. The second one is a perfect fit if the war policy attack is centred on conscription. The third is impossible because it plays right into the hands of the CCF. On careful assay they figured conscription is good for 100 seats right now. That would be a satisfactory election outturn for the Tories.

There seems, also, to have been a good deal of talk along the line that King intended to pull a fast election late this summer. A conscription policy would either stop this or insure the party against it. If it stopped the election, the Grits would go on dying the way they're doing and sooner or later there would be the great swing towards the Tories-Bracken or chaos. On the one hand, an early election would be a knockout fight with the Grits. On t'other some kind of a deal would probably be possible which would bring a unit-ed front against the dynamiters.

There are, quite evidently, two schools of thought among the Tories. The Drew faction is the militant one-desiring an immediate fight on conscription and no monkey business with the Grits. Bracken is of the opposite turn of mind and many of the Tories agree with him. Old man Hanson, for example, is spending all his latter days at Ottawa trying desperately to fraternize in the trenches. Here is King on the way out. He will be licked just as sure as sure. At 70 he will never stay on. What use winning office at 75. Who would vote for a party with a leader of that age? Obviously we must get together. Why do you think we have Bracken? Isn't he your breed of cat? Certainly we never loved the guy, etc. etc.

I understand that reasons of this order are responsible for Bracken not making the original speech. If he had done so it might have brought him too sharply into a controversial position.

Joe tells me that what is not realized generally by the Tories is that there are liabilities as well as assets in this conscription policy. He is ardently for it. But to cash in, there must be an immediate election. The longer it drags the weaker the appeal and if the war clears up in Europe, the party is left with liabilities and no assets.

Yet he can discover no intention to do more than move an amendment on the budget. Some of the fighting men like Drew will try and force the issue. But the right and only place to bring on an election is in the Commons and nobody there is steamed up at all.

* * *

I find the condition of the Liberal party worse than anything I have ever known: worse even than the Tory party in 1935. The Ontario Libs are in revolt. Have done nothing but listen to curses against the ministers since my return. Party discipline has about ceased to exist.

The boys blame the ministers and blame takes the line that the ministers pal up with the bureaucrats and thumb their noses at their back-benchers. Private members can't see ministers these days. They

get fobbed off on upstart officials who high-hat them. The private members now realize what life would be like in the socialist state where nobody but an official would count for anything.

Latest seat-by-seat survey of Ontario shows 18 Lib seats and the remaining 64 seats divided, with the CCF getting the larger part-probably 40. Bracken has not caught on in Ontario, and Drew is over the crest and slipping.

Joe Fisher and Norman, to my surprise, agree that Bracken has not made good in Ontario and that 'tis doubtful how much Drew can help him. They think the CCF will come out of Ontario with the largest group.

Ran into Jolliffe late this afternoon. He swears Bracken is a fizzle in Ontario and that Drew is now afraid to hold an election.

His comment on Sask. interesting. No fight at all. Just swim with the stream. Respected Davie Rogers but couldn't understand how he got himself into the position of regarding Liberalism as a religion. But, what really baffled the CCF, what kind of a man was Julius? Julius is the enigma wrapped within a whatnot and they have for him, apparently, a curiosity and a contempt. Did he think the CCF had a hind tit?

The trouble with Davie and the Free Press was that we were doctrinaire in our interpretation of socialism. We insisted that socialism was a definite creed. But was this true? Personally he had never been able to figure out what socialism meant. There was no agreement in the CCF party. And so on. A very nice young man but indubitably a stuffed shirt of the kind that Ontario does so well. Some day he will rub his eyes and discover that he is just a Tory after all. Reminded me very much of Graham Spry only not so winsome-God save the word. ...

24. 5 July 1944 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Carl Goldenberg, and M.J. Coldwell. George Ferguson, assuming that General Crerar was King's source, commented: "If Billy King is basing his estimate of the duration of the war on Harry Crerar's estimate, I don't think we have to worry much about any voting this fall. Let's break out of the bridgehead first and then we'll see. Mr. Rommel appears to be holding us down fairly well, and unless we have another vast landing in mind, it may drag on some time." The Quebec election on 8 August pro-vided a few surprises: Duplessis and the Union Nationale won 48 seats, defeating Godbout and the Liberals who were reduced to 37 seats. The Bloc Populaire elected just 4. (H.F. Quinn, The Union Nationale Toronto: University of Toronto Press, 1963, p. 111.)]

Talk with T.A. King discussed the coming general election with the cabinet yesterday. He said he had good reason to think that there will be sudden changes in the European war situation. The moment the European war is over, he said, Parliament will be dissolved. With the Election Act amendments passed, there will be no need for delay. The sooner the election can be held the better. The ministers should get busy at once. It was by no means impossible that the election would be over by the end of September. (It takes about 55 days to hold it.)

King indicated that he is well aware that the government is losing ground but he hopes that Godbout will win and that this will assure the Liberals, federally, the largest group.

There are many estimates of Quebec floating around. Most of the Liberals-indeed all I have met-are sincerely optimistic. Godbout, they say, stands much higher than anybody expected. The Bloc is second and Duplessis is third, and a poor third. Against this, Arthur MacNamara, who keeps five "public relations" men touring in Quebec, talking to priests, mayors and so on, says that his information is that the bloc will win, with Godbout second and Duplessis third.

The latest Liberal estimate federally is: Quebec 45 seats; Ontario 18; the west 20; the Maritimes 17. They place the CCF second and the Conservatives a poor third.

Carl Goldenburg travelled to Montreal with the Brackens the other day. Honest John bust down and said that he had no hopes whatever of winning the election but thought it quite possible he would have the largest group. The only way out of the present situation, he said, was a coalition. Hence his inflexible determination to keep out of the House and to avoid ill-feeling between himself and the Liberals.

Memo on Coldwell:

We had lunch and much talk. He said that the kind of campaign waged against the CCF by the Liberals in Saskatchewan, including the Leader-Post, was a great factor in their victory. It was shortsighted to keep on calling them names and to bring up matters like land nationalization when everybody in Saskatchewan knew perfectly well that they are not dangerous or subversive people. The net result was that the CCF was able to take the offensive. They need not answer the Liberals. They had nothing to defend, so to speak. It was gravy all the way.

On the other hand, if the Liberals had attacked them on their policies of the day, they could have been greatly embarrassed and

placed on the defensive. As an illustration, he mentioned their policy of debt conversion. They have declared for this policy but have never worked it out and he doubts if they can. If the Liberals had said: "Here is the debt. It is held so much by municipalities and other governments; so much by individuals including farmers; so much by life insurance and other trust companies; so much by wealthy persons and the big corporations. Who are you going to hit? And if not all of them, how are you going to discriminate, to select the victims?" Coldwell does not know the answer and no one, he says, in [*his*] party pretends to know it.

The present difficulties of the CCF, he says, are very real but have not been exploited by their opponents. It is still a party of protest without any clearly defined policies. Never again, he said, will he run a campaign without an immediate programme which has been carefully thought out and which can be explained and defended on the platform. He has called the CCF national council together and insisted on obtaining such a programme for the federal field. He wants it by August. He must have it before the campaign opens. There are great difficulties in the way because when the boys start to get down to it, they disagree. There is no cohesion. He thinks the immediate programme will be very limited and not at all radical.

He would present it as comprising all the party would do in the term of the coming parliament. When its programme had been completed it would dissolve and seek a new mandate.

His size-up is that if the election comes in the fall, the CCF will get about 100 seats. He claims 55 in the west, 35 in Ontario, 3 or 4 in Quebec and the balance in the Maritimes. The CCF government in Saskatchewan will be extremely careful and very sound. This will help materially to overcome any fears of the party elsewhere, notably in Ontario where the whole Tory campaign has been one of trying to scare the electors. He places the Conservatives second with perhaps 60 seats, the Liberals third with from 40 to 50 seats, and the balance what-nots from Quebec. On this standing he would accept office at once, summon Parliament, advance his 4 year programme, and ask for a vote of confidence. He thinks a second general election would speedily follow and would hope to win an over-all majority. If all goes as he hopes, he would invite King to be a member of the Canadian peace delegation.

I went over some of his platform. What did he mean by the nationalization of the banks? One thing he did not mean, he said, was for the government to go into the lending business. He would settle for more control by the Bank of Canada, and he would certainly hang on to

Graham Towers. Perhaps the banks could be made into branches of the Bank of Canada.

He wasn't going to touch competitive industry, or middlemen. He was going after the monopolies and cartels. The notion that the country was going to be run by a bureaucracy was nuts. The super board referred to in the platform was not an administrative body but a planning body to advise the government on policy. And so on.

25. 13 September 1944 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar and H.J. Symington. The single transferable vote, which King contemplated adopting, is a type of proportional representation designed to ensure that minority parties receive representation in the elected legislature proportionate to their strength among the voters. In Quebec, the Liberals had won a plurality in the popular vote, but returned 11 fewer members than the Union Nationale. John Bassett was publisher of the Montreal Gazette.]

I've been meeting people since coming back from the cabin. Had a talk with T.A., Herbie Symington, Norm Lambert and a few of the lads around External Affairs.

In very strict confidence (and not to be mentioned until he tells you himself) King had a talk with three or four of the older ministers the day before he left from Quebec. Had been considering the political situation and felt that the time was opportune to amend the elections act by adopting the transferable vote. Otherwise, it might well be that the next government might not represent more than 40 per cent of the electorate-a very bad thing indeed. Bracken was a supporter of the transferable ballot and the CCF stands for it. Therefore there should be no great difficulty. Moreover, the recent provincial elections made the case for it very strong.

He had in mind recalling Parliament. It now stands adjourned until Jan. 29 and nobody apparently thought to ask if he meant reassembling say in November. This would be the only business to be transacted and dissolution would follow immediately. The information he then had indicated that Germany might hang on until November or December but was unlikely to survive the winter. But he expected to know more after he met the lads at Quebec. There is a cabinet at Quebec today and T.A. will know more, perhaps, when he gets back next week.

The announcement of the victory loan for October also is a straw which indicates no sudden election. ...

When the session ended the ministers all went out on fence inspection tours. They swapped notes on their return early in September. The most interesting point is that family allowances are not nearly as great a tenstrike as the party strategists believed. They are particularly unpopular in the Maritimes and Ilsley is inclined to think they will defeat him.

Outside of Ontario, however, the Drew performance has been dynamite. It killed the Tories in New Brunswick and the local Tories know it and are very resentful.

Met Herbie who was in town for his weekly talk with Howe. He told me this interesting story. Howe has been having trouble with King. ... Last May King called Howe in and asked him what he thought about making Brooke [Claxton] minister of reconstruction. Howe threw up his hands, said that this would be suicidal. Brooke a lawyer and with much ability in certain directions but quite unacquainted with industry, would not inspire the slightest confidence among businessmen. King consulted others in the cabinet and the veto on Brooke was unanimous. Howe did not think King had any serious intention of appointing Brooke but was just humiliating him-Howe. He did announce in cabinet, however, that Ian is to have the social security department as well as pensions. This is commonly regarded as highly unfortunate.

Then in cabinet late in July, just before Parliament rose, King said that he had decided to make Howe minister of reconstruction. Howe refused point-blank, on two grounds: that he was tired out and unfit for such a job and, second, that the statute creating the new department is no good. It gives no real power. It merely authorizes the minister to co-ordinate other departments which have real power. But suppose they don't agree with the coordinator? King didn't like the refusal or the criticism of the statute. Herbie says Howe has no idea who will get the job but he agrees with Howe on the weakness of the act.

Herbie strongly advocates an immediate election. He says that the moment the European war is over, the war contracts will be cut right back. Everything in the department is in readiness for this action, and the immediate result will be unemployment and dissatisfaction. He says the cuts will run well over 50 per cent and in many cases will be complete.

Herbie was interesting on the Quebec elections and, also, I had an interesting chat with St. Laurent's political secretary. Godbout should have won. One reason for his defeat was that he refused aid from Ottawa. Chubby and the others were eager to pitch in as in 1939 but he

would not hear of it. He carried on a defeatist campaign. He did little but apologize for his government, when he had the strongest case for reelection.

Even so, everyone believed he would scrape through, and the result, therefore, was a great surprise-to none more than Duplessis himself. The explanation is that the Bloc passed out in the final phase of the campaign and the Bloc supporters switched to Duplessis.

The eclipse of the Bloc creates a very interesting and, possibly, dangerous situation. There is a vacuum, and two sets of schemers are planning to fill it. The Tory crowd in Montreal, with some help from Toronto, is working hard to organize a federal Union Nationale party. The Union would put up candidates on the line that Duplessis was now on the job at Quebec and all was safe there, but that the province must insure at Ottawa and that the best form of insurance was to elect Union members whose sole job would be to protect Quebec's rights in the House of Commons. Bassett is in this up to the eyes and Duplessis is with him. Herbie thinks it might easily work to the extent of up to 20 members.

The other set is headed by Cardin and the plan is very similar. Cardin would put up candidates to defend Quebec's rights. He would be nominally a Liberal but would play with the Conservatives if power could be obtained in that way.

Apart from these threats, Quebec looks good for the Liberals. It is, in any event, good for thirty to forty seats.

Henry Borden, Jim Macdonnell etc., are definitely not parties to these manipulations. But Bracken has been seeing a good deal of Cardin.

Herbie's main news, however, had to do with international air. There was a secret conference at Montreal in June or July between Berle and the chairman of the aeronautics board from Washington and Herbie and his boys from Canada. Berle refused to accept the Canadian air convention, not because he did not agree with it, but because, he said, United States public opinion was not prepared to accept the slightest sacrifice of national sovereignty. The Canadian convention, you will recall, proposed an international authority which would have the right to regulate international services after the original set-up had been put into operation. My recollection is that, for example, the U.S. was to have three daily trips across the Atlantic, the U.K. two, and Canada one. Any change thereafter would have to be approved by the international body. Berle, on request, drew up a memo which he filed

and which is of record. This memo states that for reasons of "traffic, prestige and politics" the U.S. could not agree to any sacrifice of sovereignty.

Berle said that this being so, the only alternative was to have wide open competition. In competing, the U.S. would try not to be selfish. Washington would [*not*?] ask for exclusive rights. Any other nation would be free to duplicate its services etc. The idea, he said, was to begin negotiations with other countries at once, looking to bilateral agreements.

The Canadians pointed out that this would be cut-throat competition, and, ultimately, chaos. Surely the U.S. would not torpedo the international plan before an international conference had been held. If Washington was prepared to accept the responsibility of going into an international conference and talking the way Mr. Berle had talked, of frustrating such a conference, then there was no more to be said and bilateral negotiations would become the order for every-body.

Berle said there was no reason for holding such a conference, which would only embarrass the administration.

So the conference ended. The next Ottawa heard was from London to the effect that Washington desired to negotiate an air agreement. The British government in reply had proposed the Canadian convention (which greatly pleased folk here) but this had been rejected. Had Ottawa any advice? Ottawa advised that London ought not to negotiate bilaterally but should insist on an international conference. This advice was taken and London and Ottawa then got busy and lined up the Swedes, the refugee governments in London, France, Australia, New Zealand and so on. Berle failed all round, and a day or two ago it was announced at Washington that an inter-national conference would be held late in October.

Herbie says that if the U.S. persists on this line, he can see no alternative but for us to go in with the Commonwealth and haul in the Dutch as well if we can-and the Swedes. He would still hope for a kind of a corporation where each member would operate its part of the whole as a national unit, but even that might not be possible.

The reply Washington got from Russia is interesting. Russia said that it was keenly interested in postwar air services and was willing to co-operate with everybody. It must be understood, however, that Russia would operate all services within its own boundaries. Foreign companies could fly up to the boundaries, but no further. ...

26. 17 September 1944 [DP, QUA].
[Information in the following memorandum probably came from T.A. Crerar.]

The lads are coming home from Quebec City and the gossip is mostly about a little impromptu speech which Churchill made to the war committee of the Canadian cabinet. He set out to thank Canada for what was done in this war. His feelings got somewhat the better of him and he spilled over almost in tears. It was not only that we came in at the start and stayed in, but that we had carried the United Kingdom by outright gifts these past three years or so and, he prayed, would not let her go down when the war is over. Had it not been for the gifts, he said that the U.K. could not have pulled her weight in the war and in all truth cannot come through the troubles ahead. He said that the U.K. is now the greatest debtor country in the world. Our gifts, being largely raw materials, were the very base of her war industry and food supplies. If Churchill will make a few public addresses along this line in the next few months, it will help Wullie a lot.

On the war--the combined chiefs of staff told them that they expect active hostilities to be finished by October 31. Organized resistance should be over then, but there will probably be a good deal of mopping up to do and this might run to the end of the year. Churchill disagrees with this, thinking it too optimistic. He thinks that organized resistance may go on until the end of November but points out that so far as he can find out there will be no government in Germany to surrender and that we will probably go into a kind of guerilla campaign until such time as some organized government can be set up. This, in his view, may go on all winter.

No word to indicate an election this fall and every reason to believe that dissolution will not come until Jan or Feb and that under pressure from the Ontario Grits, the govt will try for the transferable ballot at a short session, called perhaps earlier than the present adjournment date (Jan. 3 1). The great man will not be home until tomorrow but will try and see him this week.

Casualties have been fantastically light and the army is embarrassed with an oversupply of men.

Everybody thinks that the government is rapidly gaining ground. The last to come around apparently is Ilsley who is the pessimist-in-chief of the cabinet. The Maritimes look like a sweep with but one seat in Nova Scotia (Cumberland) where the Tories have a chance. Quebec rapidly improving under the Drew lash.

Kingsmere forever!

27.22 September 1944 [DP, QUA].

[Information in the following memorandum came from Angus Macdonald and TA. Crerar. In 1935 Paul Gouin led a group of young Liberals out of the Quebec Liberal party and into an alliance with Duplessis and the Union Nationale. In the end, Crerar did not have to run again. He was appointed to the Senate on 18 April 1945, several weeks before the federal election.]

The election boom is fading out very fast. My own impression is that dissolution will not come before next year, perhaps as late as the end of February but possibly very early in January.

Some of the boys seem to think that King will dissolve as soon as the European war-organized resistance-ends and not bother about trying for the transferable ballot. This conceivably might mean dissolution immediately the victory loan campaign ends, with the election day somewhere in mid-January. Somehow I can't see the old man trying to run a campaign in the Xmas holidays.

Haven't got around to the Col. but have talked with Angus L. and will be seeing him again on Monday morning. Old Alex however had a mass meeting of Maritime ministers and the ground appears to have been covered very thoroughly.

Re Quebec conference-our share in the Pacific war is very doubtful and prospects are not bright. The U.S. is extremely "jealous" (that is the word they all use) about the fight with the Japs and actually it was with the greatest difficulty that Churchill was able to get a part in the picture. The British, however, now have a fleet based in the Indian Ocean which is much stronger than the whole of the Japanese fleet. The U.S. is even stronger on the Pacific side. The expectation is that the Jap battle fleet will be forced to fight within a matter of weeks and, when destroyed, the allies will move right in on Japan this winter with aircraft carriers and bomb Jap cities just as German cities were bombed. There is not to be a long over-land campaign through Malaya, China and so on. They think they can strike directly at the heart.

Estimates on the European war vary from the combined chief of staffs' Oct. 31 to February. It is anybody's guess.

The most controversial news from the Quebec conference, however, concerns Willie's oration to the Quebec Reform Club. This was off the record and the audience contained about all the Quebec politicians that could be rounded up. Mr. King started off with a long eulogy of Lapointe, about his feelings at Lapointe's death bed, the hopelessness of the prospect, the impending destruction of the country and so on. He had there realized the weight of the burden that had

fallen upon him, which he must shoulder. He had sworn to him-self that he would carry on. Come what may, he would hold the country together. There would be no conscription for overseas service. He would honor Lapointe's pledge to the uttermost. There had never been a shadow of doubt in his mind. No ministry of which he was the head would ever, under any circumstances, have imposed over-all conscription. Never. He knew that Quebec's trust was in him. Fail them he would not. So there had been plebiscites, Bill 80's and what not. But, please note gentlemen, there had been no conscription and there never would be. Trust Willie. The cheering, I am told, was right from a thousand tummies-shook the Chateau like the earthquake shook Ottawa.

The conscriptionists - Ralston, Angus and the rest, were sitting right at the head table. You can imagine their feelings. Even T.A. who was always the Col's opponent on the army, found it too much.
What Mr. King's colleagues are saying about him today makes the comment of his opponents look like fulsome praise. However, as usual, nobody walked out and nobody has peached.

The situation in Quebec, everybody agrees, is as I last reported. It could not be better. Moreover, there is a pretty confident under-tone among the Quebec members I have bumped into that Godbout can upset Duplessis very quickly. Quite a few of the Duplessis members are ex-Liberals who deserted with Gouin and some of these appear to be fraternizing in the trenches.

The Quebec members are not afraid of Duplessis in the federal field. His hold on office is so precarious that they cannot think he will try federal candidates and risk the loss of prestige which would go with defeat. The reason for this miraculous improvement is largely due to Drew. The swift ending of the war, however, is equally a factor.

King is cock-a-hoop. He has suddenly become quite a Conservative and actually gave T.A. a lecture on economy in cabinet on Wednesday. Spoke slightingly of family allowances and said that these things had to be paid for and what about taxpayers and what not. T.A. too angered for a comeback. I got the comeback later on at the club. T.A. wagged a bulky forefinger and delivered judgment along the line that when you got right down to the bottom, the great leader was no more or less than a God Damned political adventurer.

The rise in Liberal fortunes is affecting T.A. He fears he may have to run. Les Mutch who announced his retirement from politics last summer has suddenly discovered that he still has a public mission and

will contest South Winnipeg. This is the only seat IA. can think of as possible. If King puts the hoop up and snaps the whip, there really isn't a darn thing the old man can do except jump. Otherwise, there won't be any heaven. But even if he is licked and the party comes back, the Senate will be a sure shot.

28. 25 September 1944 [DP, QUA].
[Information in the following memorandum came from Angus L. Macdonald.]

Very antagonistic to King and determined not to run in next election. Will go back to Nova Scotia and replace MacMillan who has been premier in his absence. Foresees nothing but ruin for liberalism under W.L.M.K.

War talks at Quebec: U.S. very "jealous" of Pacific war. Want to do everything themselves. Won't even let the Australians go farther than New Guinea. British forced an entry on the Indian ocean side. King accepted an "exemption" in the private conferences with only the politest offers of all-out aid. At the public conferences with the press etc., he talked big about what he wanted to do. Actually he wants to quit fighting at the earliest possible date.

His attitude made very clear at war committee meetings since Quebec. The committee now planning Canada's contribution in the Pacific. Angus now has some 40,000 navy fighting men afloat, with our first cruiser to come into service next month and a second a short time later. Angus put up a programme for 50 per cent participation. It would, of course, pretty well have to be in co-operation with the British navy. King choked him off, and the plan now stands at about 10,000 men or, say, a quarter of our fighting strength.

The air force also will go in on about a 25 per cent basis, with Chubby, however, a consenting party and quite willing to make it less. Chubby thinking only about Quebec these days.

The army has advanced a plan for one division but it looks as if King will contrive to get this cut to, say, two brigades. The idea is that the division would be raised either by volunteering, open to all the service units, or would be formed entirely out of general service men still in Canada-of whom there are about 55,000. This would mean the demobilization of about nine-tenths of the active army.

The plan, Angus says, is for this division or the two brigades to go into action on our side of the Pacific, in co-operation with the Yanks. The men would have to be equipped so as to be able to function with the

Yanks, would be sent to Hawaii or some other suitable place to become acclimatized and do the right kind of training and so on. It would be six months or more before they would be ready to fight. But the estimates, he said, are that the Jap war will go on for at least a year after Germany is finished.

About King's speech at Quebec, I was wrong in saying that Ralston was present. He was unable to attend but on hearing a full report from Angus and the others he went to King and raised hell. King denied that his words carried any such meaning. He had meant everything he said with respect to conscription to apply only to the Jap war. He inferred that Bill 80 applied only to the German war. He had no notes and there was no record to be appealed to. So nothing much happened, except that the Col. hates his guts more than ever.

The election was discussed in the war cabinet Friday. Nothing doing until the European war is over, and no serious thought that this will be before January and it may be as late as May. If it is still going on in Jan and Feb, Parliament will meet as usual, and the govt will try at once for the transferable ballot. If it cannot be done this way, King won't bother about it.

29. 6 October 1944 [DP, QUA].

[Information in the following memorandum came from C.G. Chubby Power and Phileas Cote. For a sober and more accurate account of the disposition of the portfolio of Reconstruction, see Power's memoirs, A Party Politician, pp. 254-257. The account in The Mackenzie King Record, II, ed. by J.W. Pickersgill and D.F. Forster, though mainly consistent, is less complete. According to King he saw Cardin on 6 October, and appealed for his active support of Liberal candidates in the forthcoming federal election. Cardin made no commitment. (King Record, II, pp. 101-104.) Most of Power's other predictions were not fulfilled. Sarto Fournier, Liberal MP for Maisonneuve-Rosemont, was not taken into the cabinet, and LaFleche was not made a senator. Claxton was appointed to the cabinet and Mackenzie remained in.]

... A little gossip from Chubby in his cups-deep in. His press conference yesterday was tragic. The Gallery was assembled but Chubby had gone overboard the night before and was still frightfully tight. His deputy and officers could not hold him back. He insisted upon meeting the boys and made a scrambled, garbled kind of job of it. Half the material was off the record and half on, etc. The boys held a meeting afterward and sent somebody back to find out what they should print.

Meantime Chubby sent for me to weep with him and I spent an hour listening to his somewhat incoherent remarks. I saw Phil Cote later on and Phil confirmed a good many of the things Chubby said.

Briefly it seems that after King reached a dead end with Howe on Reconstruction, he offered the portfolio to Chubby. Chubby was delighted. The air job will shortly disappear. There could be no war rant for three defence ministers when the establishment is reduced. He had always had the dirty departments and this would be a clean one with plenty of scope for propaganda etc. Then on Wednesday King had called him in and said that Howe had changed his mind and would now take the job and that he (King) felt that under the circumstances Howe should have it. Chubby's response was to jump overboard.

The Quebec situation was marvellous. Couldn't be better. If Drew and the Tories kept it up, it would be 60 seats for King as sure as shooting. The organizer of the Bloc has been to Chubby to offer himself as a Grit candidate. The Bloc has disappeared and its adherents may now be counted as Liberals. Cardin had seen King early this week to make a deal. Cardin will support King. Will not head any bronco movement. His terms are that Sarto Fournier be taken into the cabinet. This lad is very bright, a first class stump orator, minus principles. King has agreed and Sarto comes in and LaFleche moves upstairs to the Senate. Chubby believes, also, that Brooke will make the grade. Unsure what department but he thinks Ian is through and will likely take the clerkship of the House of Commons. Beauchesne has got heart trouble and is ready to retire.

They are making a clean sweep in Quebec. From Quebec east alone they have 17 new candidates lined up. The old horses are being retired to judicial and other suitable pastures. There is apparently a substantial bank of appointments in reserve.

Chubby dopes it out as 95 Grit seats for certain and perhaps more. He counts on only 15 Ontario seats in this total and writes Jimmy Gardiner off.

Phil is running in his home county seat south of Quebec city. He thinks he can make it but his main difficulty is that he is a local lad and, in his own phrase, "known too well".

Chubby insists that dissolution cannot be unduly postponed. To hell with the war. It is all over but the clean-up. He wants dissolution by Nov. 15 at the latest. ...

30. 6 November 1944 [DP, QUA].
[Information in the following memorandum came from Mackenzie King.]

Had two conversations with King earlier in the year & never had time to make a note of them. First occasion was in April before leaving for London for the prime ministers' conference. He talked of many things. Said he had reached the point where he could not work hard at night. The difficulty was in getting to sleep & he had worked out a system to assure this. You must give up hard liquor. I suggest-ed that he had never taken much hard liquor but on the contrary he said that he had. But he had stopped. Never do any hard work after 9 p.m. Break off at 9 p.m. & either go to bed with a book or relax in your study. Light reading was advisable.

Would he recommend the bible? Under no circumstances. The bible ought not to be read at night. It was too stimulating. Always read the bible in the morning. No, he meant a book like the one he was now reading. The Strange Death of Liberal England by a man named Dangerfield. The book had been written in the '20's & had been sent to him as a joke by Sir Robert Borden. He had found it interesting & amusing & quite applicable to the Liberal party in Canada.

What was the finding? That the Liberal party in England had died because it had become immersed in constitutional questions, in matters not directly affecting the common people. The labor party had risen in answer to a real need. The same would happen here if it were not for a few people like himself. Family allowances were then in hot dispute in the cabinet, with T.A., Howe & others strongly critical. You know, he went on, there are colleagues of mine who think that we still live in pioneer times: that a man can go out & shoot a bison or a deer & bring it home for supper. They fail to realize that these times are a thing of the past.

On the broad point of tactics, he was all for fighting the Tories & being friendly with the CCF. It was most regrettable that Coldwell was not in the Liberal party. An excellent man. This was due to the narrowness of the Liberal machine in Saskatchewan. Mr. Gardiner placed far too much emphasis on strict party loyalty.

On this as on previous occasions, he spoke about Quebec. He missed Lapointe as a man would miss a right hand. A great Liberal. He had always left Quebec to Lapointe. He did not understand it & lacked sympathy with the church. He regarded the Catholic church, historically, as the great opponent of liberalism. That was true. There was no way out of it. The references here were all to his favorite historian whose name

evades me. It is mentioned somewhere in these memos. Sir Henry Maine, I think.

Saw King again in June after London conference. He talked about the meeting & was in great humor. There had been no difficul-ty or controversy. The only point at which the Halifax theory had emerged was the final declaration of the conference. The original draft submitted by Churchill had used the word "policy"-he had objected & this had been changed to "policies".

How did he get along with Churchill? Splendidly. (I was thinking of the many cracks he took at Churchill in earlier years-particularly in caucus along in the six months prior to the war.)

What did they call each other? "My dear friend"-with a broad smile.

Churchill had been very co-operative & kind. No trouble on single-voice idea but Churchill had been constantly talking about the Empire & particularly about the essentiality of the British Preference.

Told me this story about the week-end at Chequers-
Churchill, after dinner, had been chatting with him & launched out eloquently on the Empire. The Empire was like a beautiful woman-surpassingly beautiful. And the Preference was like the gossamer band about her bosoms-"But perhaps that doesn't interest you, my friend." King laughed at the recollection. What did he say? I assured him that I certainly was interested.

No one outside of his own boys had known what he was going to say in the House of Lords speech. There had been great interest & many indirect approaches. Indeed as Churchill & himself had walked up the gangway of the chamber to the platform Churchill had begged of him not to commit himself against the preference.
Again he strongly urged criticism of Bracken. The CCF were not the real opponents-the Tories were.

31. 6 November 1944 [DP, QUA].

[Information in the following memorandum came from T.A. Crerar, Angus L. Macdonald, and J.L. Ralston. General H.D.G. Crerar's telegram of 4 August was sent to Canadian Military Headquarters in London and did not reach Ralston until 24 October 1944. See Stacey, Arms, Men and Governments, p. 437fn. In fact, there was a shortage of 15,000 trained infantry by 31 December 1944.]

The conscription crisis began October 24 when Col. Ralston recommended the proclamation of Bill 80. Ralston just back from over-

seas. Found that there will be an acute shortage of infantry reinforcements within three weeks. The how of this shortage is very complicated & it amounts really to a gap or a hiatus of some weeks-any-where from a month to two months. Infantry casualties have exceed-ed expectations. Other branches of the army okeh. The training for-mula has proved to be faulty & the first word of the need to change it-a cable from Crerar on Aug 4-reached Ralston but didn't reach the cabinet until he made his report in October after his return from overseas. All this, doubtless will come out in due course.

Most of the boys are writing accounts of what happened. I know that the Col. has done so, also Angus and T.A. King will certainly do so. There should be plenty of eye witness narratives among the papers of the principals. Cabinet began on Tuesday [24 October]. Ralston got a rough ride to begin with because he really shows a very large reserve of active service men-only not of the right kind. But as the problem became clearer the going for Mr. King got tougher. By Friday, King was in a very bad state-emotionally upset & inclined to wild statements about calling parliament, dissolution & the like. On Monday, when each minister was invited to express his views, it became clear that several ministers would support Ralston-Macdonald, Ilsley, Crerar, Mitchell, Gibson. Others like Howe were slithering around-uncertain & confused.

Before cabinet met on Tuesday (Oct 31)-with a showdown fairly certain-King phoned T.A. urging him not to commit himself because he (King) had found a way out of the difficulty & would make this clear during the afternoon session. Proceedings began at 2 p.m. They were twofold. There was the Ralston recommendation & there was, also, a govt statement with respect to the army, raising pay & appealing to the home defense force to enlist & soon. About 5 p.m. the cabinet reached this appeal to the Zombies. Ralston intervened to say that there could be no objection to appealing to them but he thought the cabinet should now declare what would be done in the event of failure. At this point King took out of his breast pock-et a letter of resignation written to him by the Col. in the summer of 1942 on Bill 80 (the return to parliament issue), said that quite evidently this could not go on: that he had received this letter & that no prime minister could go on if his colleagues behaved in this way etc. etc. & ended up by saying that he was accepting the resignation as of that moment. He had already, he said, arranged with Gen. McNaughton to succeed the Col. & that McNaughton believed that the problem of reinforcements could be met

without recourse to conscription. The cabinet was thunder-struck. The Col. got up, went around & shook hands with the ministers, including King & withdrew. Angus wanted to go too but Bertrand restrained him. Angus said that if he had risen, he would have struck King. So he sat still, tearing his note paper into small pieces & dropping them on the floor. Cabinet adjourned.

On Wednesday McNaughton was sworn in & on Thursday they all met. Ian suggested reducing the strength of the establishment to the strength of the units & McNaughton replied that this was quite out of the question.

Great goings & comings. Angus wrote out his resignation but again was restrained by the maritimers, including Ralston. T.A. greatly upset & wrote a letter to King requesting a restatement of policy. No answer yet.

Ralston drafted two public statements one mild t'other tough. Saw him & Angus this morning. No decision whether to issue them or keep silent. Mrs. Ralston a factor. She detests public life & wants him only to get out & stay out.

Much groping too by conscriptionist Liberal organization. Norman Lambert volunteered to organize & arrange finances. But there is no sense of direction among the rebels-all is confusion.

32. 22-26 November 1944 [DP, QUA].

[Information in the following memorandum came from Angus L. Macdonald and T.A. Crerar.]

Arrived home from Winnipeg this morning & went directly to see Angus L. He reported no progress in cabinet since I left on Nov 13-just wrangling. Recruiting among NRMA home defence con scripts has failed. In three weeks since campaign started figures are 159-176-280. But normal recruiting from these men has been 1350 per month, so that government is down not up. The major development in the past week was the positive statement by King in cabinet that he would never impose conscription. If the cabinet so decided he would resign & nominate one of the conscriptionists as prime minister. When Angus threw his 1942 pledges at him, he pointed out that everything he had said in the 1942 debate on Bill 80 had been qualified by the words-"If I am the head of the government". But he would not be the head of the govt & as an individual he was not bound.

The two men - Angus & T.A. - have been fighting alone since Ralston was thrown out. They have not been able to persuade Ilsley to join them. Howe is most uncertain. Gibson they regard as depend able. The others are most likely to stick with King regardless of the consequences. This changed, however, on Friday Nov 17 when Ilsley, Angus & T.A. met in T.A.'s office (in the afternoon). Ilsley finally made up his mind to join them. He will not stay in the government unless the needed reinforcements are assured forthwith-which means conscription. Now the three must enlarge their numbers & go to cabinet united & determined & fully prepared to resign en bloc.

Thursday [*23 November 1944*]

Swift developments. None of the cabinet had heard [of] the letters of King to Ralston, re the resignation, until Mr. King read them this afternoon in the house. They were deeply shocked, because they interpreted Mr. King's attitude as being unyieldingly opposed to conscription, with no hint of stepping aside for another man.

The caucus which followed the brief session only lasted 3/4 of an hour. In effect Mr. King said that he might have a solution and would like to submit it to cabinet first. The caucus adjourned until Friday at 11 a.m.

Cabinet did not sit immediately. But the conscriptionist liberal ministers did-again in T.A.'s office (in the House of Commons). There were now six of them - T.A., Angus, Ilsley, Howe, Gibson & Mulock. They put T.A. in the chair & pledged themselves to mutual trust. They decided to act as a body & either force conscription or resign.

Whether or no King found out about this revolt, I do not know. Cabinet met after 5 p.m. & King at once announced that McNaughton had reported the recruiting campaign a failure. He was prepared to proclaim Bill 80. This caused consternation among the Quebec ministers. Chubby Power forthwith resigned, writing King a letter which was severe on McNaughton. McNaughton's position, of course, was impossible. He had committed himself absolutely to the voluntary system: now he did a complete about face. Cabinet broke up at about 10 p.m. The conscriptionists delighted with the turn of events.

Thursday's caucus was a corker. Gardiner was the headliner with a strong speech against conscription. He sure made a hit with Quebec & most of the lads took the excessively realistic view that he probably clinched the leadership in succession to King.

Cabinet met at 2, with the conscription order-in-council before them. St. Laurent came forward with an amendment to restrict the order to 16,000. Angus & IA. objected but on the assurance that the principle of conscription was not being restricted-only the number of men being turned over to McNaughton-they agreed. Both told me that they felt they would have been ungenerous & over rigid to have insisted on the original draft. St. Laurent & the other Quebeckers felt that the amendment would give them a chance-a slim one but still a chance.

That afternoon McNaughton appeared before the house & made an ass of himself but, incidentally, so confused the position that Quebec does not yet seem to have sorted it out. And of course the Tories are now screaming that this isn't conscription at all. This all helps St. Laurent & King immeasurably.

It is a sad, sad commentary on this country, but it seems to be true that it is held together chiefly by the attacks of the two extremist groups-the Quebec nationalists & the English-speaking anti Quebeckers. If this act is recognized for what, in fact, it is – conscription - King would be irretrievably done in Quebec. He may be finished anyhow. I hope he is, after his manipulations of this past month. But, of course, so long as the Tories rage, the Quebec Liberals can always argue that King is saving Quebec from much stiffer treatment.

As it now stands (Sunday Nov 26) King's only hope is that he will be attacked this week from both extremes. This & this only can prevent him being unmasked as a pure adventurer.

33. 9-10 January 1945 [DP, QUA].

[Information in the following memorandum came from Mackenzie King.

King left his own account of this interview, and it appears in Pickersgill and Forster, King Record, II, pp. 292-294. Once the reader accommodates to the fact that King is reporting Dexter's conversation, and Dexter is reporting on what King said, the two accounts are remarkably similar. The main exception relates to their references to Angus Macdonald, and here Dexter's version rings truer. King had been thinking of McNaughton as a successor to J.L. Ralston as minister of defence for several days before 31 October. Several cabinet colleagues, including Howe, Gardiner, and Mackenzie, had suggested sending for McNaughton. (See King Record, II, p. 176.) In his diary, King attributed to Dexter knowledge of Angus Macdonald that King, and not Dexter, possessed: "Dexter told me that he did not think Macdonald should be in the administration anyway. He [*Macdonald*] was terribly disappointed; he had thought N.S. would allow him to succeed as Premier. They had told him distinctly they would not, so he has been left high and dry." (See King Record, II, p. 293.) In the by-election held in North Grey on 5 February 1945 McNaughton was defeated by the Conservative

candidate, Garfield Case. J.A. Glen was MP for Marquette and Speaker of the House of Commons.]

Had a long talk with King. My idea had been to try and find out what was in his mind about the future. Unfortunately he got going on the conscription crisis and most of my time was spent listening to his account thereof. Mighty interesting and exceedingly frank but not helpful.

Two things about the crisis seem to have excluded all else from his mind.

1. The cabinet mutiny.

2. The insurrection of the army leaders which, in his cool judgment (believe it or not) meant armed revolt against the government and the establishment of a ministry dependent on the military. On this second point he has collected much evidence and, he told me, has put down the case in minute detail for the benefit of future historians.

I was very interested in his story of the cabinet mutiny because we held ringside seats among the mutineers. I must say that his information about every move made by T.A., the Col. and Angus was extremely accurate. He even had old Alex taped. He was pretty harsh on Ralston. Had made an appalling mess of his department. Didn't know the true position overseas and had been just as surprised as the rest of them.

As the crisis developed, King quickly sorted out the malcontents. His problem, he said, was to prevent Ralston, Macdonald and Crerar from destroying the govt. At some point, he realized, he would have to intervene but he had been completely baffled as to how this could be done. So the thing drifted along to the point where he knew the Col. would quit and the other two would go with him. He had sounded out Ilsley, at this time, and had decided that although Ilsley had no mind in the matter, he would not have the courage to remain in if the others left. Ralston kept getting tougher and tougher, hinting at a showdown. King was at his wits end. Then on the morning of the day Ralston quit (he swears he did not fire him!), knowing that the powder-keg might blow up at any time, he suddenly thought of McNaughton. He got his secretaries busy and they reached McNaughton who fortunately was in town. He got McNaughton down, explained his position: he might find himself without a defence minister at any time. Would McNaughton step in on the voluntary basis? McNaughton would, and from then he felt the master of that phase of the situation. He forced the issue promptly that afternoon. Announced that if Ralston felt unable to go, he

had someone who would do so. “I let him have it straight from the shoulder-the man is General McNaughton”. Ralston had then quit and the other malcontents had been stumped. But only momentarily. He expected that they would reform their ranks in some fashion; try and obtain further support and attack later on.

This, certainly, is a highly perceptive man.

It became necessary more quickly than he wished to devise a new measure to hold the line. Ralston gave him an opening with an interview. He had then summoned Parliament. He gambled that the lads would wait for Parliament to meet. And once Parliament met, they would wait until the vote. And if they waited so long they would be half over and almost certainly stay put. This, he said, is precisely what had happened later on to all the Quebec ministers except Chubby, who had resigned in an emotional burst which he could not guard against.

During all of this time, he had never wavered in his own mind on the issue. He was prepared to go “right through” on the voluntary principle. He had no doubt that the country would have supported him if the issue could have been put forward by a solid cabinet. The essential weakness was the inner disloyalty. You cannot face the country with a substantial part of your cabinet against you. And when a cabinet begins to disintegrate the rot spreads to the party.

So matters stood until Parliament met. On that day he was still proceeding on the no-conscription line. He read the correspondence with Ralston and adjourned.

The rebels had now recovered their poise and the plotting had begun again. He was aware of this but had not regarded it as serious.

Between the time the House adjourned and the caucus met-a matter of an hour-the utterly unexpected happened. McNaughton had telephoned-”I have terrible news for your chief. What I must tell you will come as a body blow.” This news, the most astounding of his life, was that the staff and the D.O.C.’s had agreed that they would no longer accept responsibility for what might happen in the army unless conscription was put in. One D.O.C. had resigned. Others would follow. The army was falling to pieces, discipline vanishing, anything might happen. King said he was so taken aback that he hadn’t known what to say. He realized the situation. He instructed McNaughton to make the officers put it in writing and sign it and bring the document to him at once.

Think of the position of the civil power etc. etc. The govt was at the mercy of the military etc. etc. What would become of the country under these circumstances.

He called in St. Laurent and told him what had happened. St. Laurent insisted that there must be no question of the supremacy of the civil power. The military must be resisted. “But,” I asked him, “resist ed with what? Our bare hands?” After some difficulty, St. Laurent came round to the point that the civil supremacy must be maintained, if necessary by the pretence of agreeing with the military. Between them they worked out the formula of conscription for 16,000. He then phoned McNaughton, who had not yet appeared, instructed him to keep mum until he had talked with him. When McNaughton arrived, he told him the plan, with which the General agreed enthusiastically. McNaughton was told not to report to cabinet the military revolt but to make his recommendation along the lines agreed to.

Then to caucus where he made the cryptic remark about another rabbit in the bag. That night to council where the decision was made to apply conscription. The order [-*in-council*] with the 16,000 was passed on the following morning.

The rest of the crisis, he said had been played out in the House. But the situation was quite impossible. The disaffection continued. There were schemings and plottings. No health in it, no loyalty. A man cannot go on under these conditions. The position with the party is no better. Look at the way they behaved in the session. A man doesn’t know where he stands with a party like this.

He discussed some of the malcontents. TA. had turned against him, he said, and carried on a most irritating correspondence during the crisis. The explanation was not that T.A. agreed with Ralston but that T.A.’s pride had been badly hurt when King made Ralston the House leader last May while he was in England. This hadn’t been his fault. The whips had come in a body and said that By God they couldn’t stand for T.A. and so on. He had gathered that T.A. wanted to remain in the cabinet but he (King) felt that he must insist on him going to the Senate. (This rejoiced me.)

Angus was another of the Judases. This was a case of frustrated ambition. Ilsley and Gardiner were both extra-ambitious. Gardiner particularly “has the bug.” Nothing wrong about this. Ambition didn’t make men less manageable, and he had never blamed anyone for being ambitious. Look at Dunning. But Angus’ real trouble was that he was second fiddle to Ilsley. His case was hopeless. He knew that Angus had tried to quit with Ralston and resume the premiership of Nova Scotia. But did I know what the Nova Scotia cabinet had told him? I didn’t and he didn’t say. It was what might be called a nasty innuendo.

Army matters were going extremely well. There would never have to be a second order-in-council. The 16,000 would last indefinitely. Most of the men are enlisting before going overseas. The Quebec situation was specially favorable. There have been some desertions in Quebec but most from English-speaking battalions.

However, the unhealthy situation in the cabinet and the party was rapidly extending to the country where the Tories were fomenting the race cry by every possible means. True this was helping him in Quebec. He had not lost Quebec. There would be a large number of independents and they would have their price, but they would not support the Tories. He had a firm understanding with Cardin who was the likeliest leader of these independents. Cardin was very frank with him. Personally they were on excellent terms. If Cardin could get into the balance-of-power position, there would be a price every time but it would be not an unreasonable one. Cardin was a pretty practical politician.

What with one thing or another-cabinet tale-bearing, disloyalty, loss of morale etc. etc.-it was most undesirable that this parliament should meet again. For his part he had always been opposed to an election in wartime but he had always qualified his remarks to cover an impossible political situation. If the Tories made it impossible-okeh they could have it.

Did he think McNaughton would lose in North Grey? Not at all. He was sure he would win. But that wasn't the point. The point was that the Tories had not only challenged the vital war policy of the government but were now doing their utmost to prevent the minister of national defence from entering Parliament. Success would force an election. They want an election. So did he. He never had been able to understand the Tory mind. "One or other of us must be wrong and I intend, if I can, to find out which is right".

He had a loud blast typed out to the electors of North Grey. If we scanned this knowingly we would see that he was preparing the ground. Obviously if an election was to be held, he could not wait for the voting in North Grey. Look at the position. The victory loan, he said, falls in April. You can't have a campaign going at that time. To call the election after that date would be "much too late". To call it before would mean dissolution in February. If he won the by-election the case would be weakened.

The time to act was on nomination day in North Grey. If the Tories refused to heed the warning in his appeal to the electors of North Grey and nominated on Jan 29 (think that is nomination day) it would be perfectly in order to say-well the Tories insist upon a course which

makes an election inevitable, if they succeed. I pro-pose to give it to them now. It wouldn't be necessary to fix the election date at the time of dissolution. This could be done later.

He discussed the next minister from Manitoba. He preferred Garson but this was impossible. He doesn't like Glen and doubts if he can be re-elected or even nominated. But doesn't see anything else for it.

Jan 10-saw Angus L. and we swapped notes. He has the most complete record, done up swell in a loose-leaf book about 8 inches by 4 inches.

He says that he believes McNaughton reported on the position of the army on the morning of the day after Parliament met [i. e. 23 January]. Not after the meeting [of Parliament?]. I think this is right and that I got twisted on what King said.

34. 1 March 1945 [DP, QUA].

[Information in the following memorandum came from J.L. Ilsley, Alex Skelton, W.A. Mackintosh, and W.C. Clark. Gunnar Myrdal was a Swedish economist.]

Had better try to unload the information I've been picking up the past two days.

Ilsley: in appalling physical condition. Couldn't talk much to him because he is interested chiefly in his "condition". Felt some-thing like I used to with Dunning before he retired. You had 28 minutes of minute detail about his heart (it's nerves with Jim), and two minutes on business. He asked how he was looking. I said he seemed a little on the thin side but otherwise alright. Did I remember a year ago walking up the main walk to the Peace Tower and he telling me how ill he was? Just before he was sent away for a month? Yes. Well, he was just as bad now. The doctors describe his nervous trouble as "compulsive thinking". You worry about little things, not the big ones, and you can't sleep or rest or focus your mind on important things. It was the sugar-beet industry with him right now. They wanted protection and he was turning them down. A small matter. What interested him was that he couldn't get his mind off it. A year ago Ralston had noticed his condition and sent Brig.-Gen. Brock Chisholm to diagnose and prescribe. Chisholm had walked in. Ilsley had asked him what he wanted and upon learning had become annoyed. "Please go away. Don't bother me". Chisholm had sat down and remarked: "Exactly what I knew you would say". Had gone on and described all his [*Ilsley's*] feelings and how his nervousness had grown on him and how it would continue to grow.

Earlier in the war he had felt hurt and jealous seeing friends get themselves fixed up with judgeships, safe jobs of one kind or another. Then he had stopped thinking of such things and longed only to be free. He hated public life-hated it. And then he had reached a point where each morning he had found himself longing to be dead by night. As he shaved he would be thinking: "I wish I would die today". Oddly he had run across a parallel case-Lord Althorp, Chancellor of the Exchequer, in the Grey administration along about 1830. Althorp had so wished-hating public life. He liked reading about Althorp. Had I ever run across anything about him? I only recalled Macaulay saying something somewhere about his being honest.

It went on this way, with Ilsley getting up and pacing about the room, puffing on an unlit pipe. He could not get a holiday. Two weeks no use. A month the minimum. You get worse the first two weeks and then begin to climb out of it. Now he faced a session, a war loan, an election, a session. It would be better to be dead.

Dominion-provincial relations-pretty well hopeless. He saw it this way. After the election if they are still in office King will call a conference and put up a proposition. It doesn't matter much what it is. The provinces will turn it down. The tax agreements will be terminated as soon as the war is over and the Dominion will vacate and cut its corporation taxes down to 30 per cent. Things will then go on as pre-war. Just have to do the best possible under these conditions.

Trade - nothing doing anywhere. Hadn't even had an acknowledgement from British re the loan proposition. Hadn't heard of any bilateral negotiations. Things [*would*] probably go to Hell.

I gave Jim up after trying to talk him into a holiday. The curious thing is that he looks quite fit and is very active-popping up and down and very animated. Charlie was most relaxed-stretched out on a sofa.

Sandy: Lunch at Henri's. Sandy put away 3 bottles of beer and 4 tall coffee and rums. Apart from one trip to the toilet-all in good order and steady as a rock.

Dominion-provincial relations-outlook bleak but not hopeless. True that election would probably weaken Dominion government-a minority government maybe-and provinces would be lusty and up and coming. True W.L.M.K. never put up a fight. But the kind of proposition he had in mind didn't require spunk. The Dominion should offer to buy out all or any provinces, and leave the offer lie. The weaker provinces would take it and the stronger would soon weary of their course. ...

Bill Mackintosh-my favorite-fed up with being a civil servant. Has no bump for organization and no temperament for the rough and bruising career of a civil servant. Prefers educating young men with open minds to trying to split open the solid craniums of cabinet ministers in order to get ideas in. Is convinced that there is no such thing as an open-minded minister. All hopeless. Why waste life in trying to reason with them. So, he goes home to Kingston, stars in his eyes, the moment the big show is over. Meantime he essays daily an intellectual form of volleyball-bouncing ideas off Mr. Howe's battleship steel headpiece. Some of 'em bounce pretty far. But perhaps I am exaggerating. He finds that Howe agrees but does he know what he is agreeing with.

Left Finance. There were no tears-no wringing of hands. Cliff Clark didn't stop him. Is now braintrusting for Reconstruction.

May I say to you two sourpusses, misanthropes and hollow cynics-here is a great man. He has ideas, sweep of mind. He reminds me of old O.D.

Dominion-provincial relations. He is against centralization. He is opposed to any great transfer of jurisdiction. A few odd things. Finance is the necessity and agreements would suffice. Given the right to place the burden fairly, the country can face the future and meet the problems. Denied the right, the country is hamstrung. It should be presented in this way-not centralization but rationalization of taxation. Moreover rationalization would place the provinces in a sounder position.

The deal is not a raid on the provinces but helpful to both provinces and Dominion. He does not favor transfer of price, labor or other jurisdiction. It is unnecessary and on balance he is opposed.

Trade-hopeful. The United States is seeing the light and things are picking up. It begins to look as if in due time Washington will come across.

Reconstruction - favors the realistic, practical approach. No nationwide big splash policies but tackling local problems in order of importance and as they arise. As problems arise-as now in Winnipeg and Quebec-they must be grappled with by directing available materials there and denying these materials to points where there is no unemployment. Can't build houses all over because we haven't the materials. We can build them at Winnipeg and Quebec. The Bell Telephone wants to launch out on a $10 million programme at Quebec, Toronto, St. Catharines and so on. Go ahead at Quebec but hold back at the other points. Taken this way the immediate problems are not

insoluble. They become so only if you try spreading the inadequate materials over the whole country. This realistic approach should be continued until materials are available all along the line-maybe six months to a year after the war ends. As a rule of thumb as war orders peter out, materials become more abundant.

Bill desires to bring about a fundamental change in the federal attitude to public works. His argument runs something like this. Every depression in this country has been the result of a fall in exports-volume or prices. The depression goes from the country to the towns. Yet when we get a depression, all the Dominion seems to think necessary is to build buildings in the cities-a new post office in Toronto, an auditorium in Winnipeg, a public building in Calgary and so on. The Dominion should recover the vision of the railway era and go in for great public works directly benefiting primary industries, related to the conservation of our natural resources. The Dominion should go right after reforestation in a big way. We should enlarge and extend the prairie farm rehabilitation work. We could do on the Saskatchewan river our own version of the TVA [Tennessee Valley Authority]. Irrigation could be vastly extended in the dry belt of the west. Let the normal public works proceed under full provincial control, with the Dominion doing no more than contributing a small per cent to time such works for depression periods. A great programme of this kind would appeal to the imagination of the people. It would directly benefit the primary industries, heighten confidence and the sense of security. Money so spent would yield a good return to the advantage of all.

Bill does not agree with Myrdal. He suspects deeply all economists or other experts who try to blueprint the future. Nobody can say what will happen. At no point in known history has anyone been able to forecast the future accurately. The reason is that you cannot foresee the developments which will occur in industry and, likewise, man's resourcefulness is unpredictable. He recalled an equally authoritative forecast made along in 1919 which was all wrong. All factors in such formal forecasts are fluid, subject to constant change. A statement like the Mighty Swede's no doubt was as right as could be as of the moment he made it. But it ceased progressively to be so with each passing day. He sees no reason why we should all spin hell-wards. On the contrary, he thinks the prospects reasonably good. Certainly the United States is going much farther in international co-operation than anyone thought probable six months ago.

Cliff Clark-appears to be shrivelling a bit. Getting to look all head and no body. I should think a darn sight more tired and frayed than anyone I've seen. ... Desk littered. Odd small table and chairs about his office dust-coated. Just one centre of activity - the chair he sits in and the papers before him.

Cliff Clark impresses you because he has guts. He may be fagged out but he will not yield an inch on points he thinks vital. To hell with the provinces. The government must fight the election on this issue. Put up the proposal at the general election and ask for a mandate. It would be a dirty fight but he thinks this is the only way our William can succeed. When I suggested that W.L.M.K. would no more do this than publicly assault the Cardinal, he simply reiterated his position. With him it is tax agreements or chaos.

Trade-much more hopeful. The United States is moving very swiftly in international collaboration, and trade is just a matter of timing. He does not look for action until late summer or fall. The United States has a much clearer appreciation of Britain's position. This being so, he is opposed to bilateral action and thinks it wisest to gamble on multilateralism later on.

35.14 June 1945 [DP, QUA].

[Information in the following memorandum came from J.L. Ilsley and J.W. Pickersgill. In the federal election on 11 June 1945, Mackenzie King was defeated in Prince Albert; he was subsequently returned at a by-election in Glengarry. In the cabinet reorganization that followed the election, Abbott was appointed minister of national defence and J.J. McCann became minister of national revenue. Power remained outside the cabinet, and no effort was made to find seats for the two defeated ministers, A.G.L. McNaughton and D.L. MacLaren. George Drew became national leader of the Progressive Conservative party in 1948. John Deutsch worked as an editorial writer for the Winnipeg Free Press for a short period after the war.]

... Back this morning and have been knocking around the town. The first thing I have noticed is that everybody, without exception, thinks the paper did a swell job in the election. I fancy Victor will be getting a number of congratulatory notes and Jack Pickersgill told me that King was going to telephone to him.

I don't find much elation about the election. They rate the figures a little higher than we do-117 straight Liberals plus the eight independent Liberals in Quebec, plus half the other eight Independents (who have wired King pledging full support) plus the Independent from Comox-Alberni etc. etc. But they figure they are going to lose some on the soldier vote.

I found the chief electoral officer, contrary to the law, is running a bulletin service over to the East Block and the results are interesting.

The Grits are doing very well out of the soldiers in the eastern provinces while the CCF is cashing in the west.

Doug Abbott has only lost 19 votes on the soldier poll in England which is better than two thirds of the overseas vote. Unless the France vote goes much stronger against him he may well pull through. If not, the disposition to find him a seat is very strong, with Robb's old seat as a probable choice. Watson Sellar, the auditor general, who does a little Grit politics on the side, was Robb's private secretary and has family connections in Huntingdon. He says Abbott is tailor-made for the seat.

King is losing heavily on the soldier vote and they think he is licked. ...

Great concern over Cliff Clark who is in hospital with an infection of one kidney and the prostate gland. Being fed through the veins and his doctors regard the outcome as very doubtful. If he does recover he will be out for at least four months and maybe a year. By the way they spoke I think we should be prepared to do an obit piece. If Johnny wants it, okeh. If not, I'll tackle it.

Met Ilsley in the East Block. He is very unhappy over Clark and disgruntled with the election. The only issue in Nova Scotia, he said was Mackenzie King. The Tories plastered the ridings with placards bearing the legend-A vote for Ilsley, or Eisner etc., is a vote for King-it raised hell. He got beaten in Wolfeville for the first time in his life. In the next largest poll where he always pulled out a 500 majority he came out with 200. Had it not been for the farmers who stood fast, he would have been licked. This is the fact, he points out ruefully, although his personal prestige never stood as high.

He arrived back in town last night and promptly went to Alex where the Nova Scotia members had a nice get-together to discuss what a leader the Liberal party has. Not only did they have to lug King around on their backs in the election, but he wound up by appointing McGeer to the Senate. McGeer, you will recall, made a direct personal attack on Ilsley last year. Ilsley hates the guy and is furious with King for handing him a senatorship.

Curiously, a Tory senator in Nova Scotia up and died of heart failure on election night. Great interest at the bluenose meeting. Will King now do the decent thing by Angus L.?

Ilsley also in a row with King about the Dominion-Provincial conference. Clark's illness is a disadvantage but Ilsley does not see how he can bring down a budget until the conference has taken place and he knows where he stands with the provinces. But King doesn't want to bring on the conference in advance of the session. King favors some time around October. This annoys Ilsley very much but I fancy

King will have his way. He is greatly cast down by the probable loss of his own seat. He will have to bring on a by-election-in Ottawa East no doubt-and get the cabinet reorganized. He doesn't intend to stir about the cabinet, I am told, until the soldier vote is in and he knows who is elected and who isn't.

As to the ordinary business. The writs will not be returned until August 9 owing to the soldier vote and recounts. Recounts will involve recounting the soldier vote also, and I imagine they will have to bring these ballot boxes back from overseas so that the presiding judge can deal with them. The session, therefore, won't be called until September-this from Willie's office.

The present drift is Doug Abbott for National Defence, if he makes the grade. Chubby is in the doghouse on account of having resigned last November. King never forgives. He might be offered the Postmaster General's job but Chubby, I was told, isn't interested. He would like Veterans Affairs. But this would involve Ian. I don't hear anything about National Revenue except that nobody seems to have thought of finding a seat for the defeated minister.

There weren't any real Tories around today. The sense of the Rideau Club, however, is that Bracken will not be disturbed for some time, if at all. They say that on close analysis Drew did not help Bracken in Ontario but actually hurt him while Drew's western trip is generally regarded as a blunder. I don't put much confidence in this gossip since there weren't any insiders present. Also they say that Drew would not take a chance but would prefer to toad it in Ontario rather than gamble in the larger field. The best idea I ran across was that King would form a federal delegation to the Dominion-Provincial conference calling in Bracken and Coldwell and thus confront Drew with Bracken. This sounds good to me except that I am told that Bracken welched on his old position in his final speeches in Quebec by coming down strongly for no interference by the Dominion with the provinces. I haven't checked on the speeches so don't know. I'll do so as soon as I emerge from the ocean of files and clippings under which the old desk is presently hidden.