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## MEIGHEN AND THE MONTREAL TYCOONS: RAILWAY POLICY IN THE ELECTION OF 1921

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IT IS PART of the folk lore of Canadian politics that the Conservative party, under whatever name and whatever leader, has been peculiarly susceptible to the will and influence of Big Business. This tendency to identify the party as the political arm of an economically dominant minority goes back to the heyday of high Toryism before responsible government. It is to be found in the dear, dead Clear Grit days beyond Confederation and it crops up frequently on this side of that great divide. It has resulted in the prevalence of a rather Macaulay-like view of the party struggle which gives the Reform-Liberal tradition an affectation of virtue, as representative of popular rights and interests, and the Tory-Conservative tradition the appearance of a perpetual last ditch stand on behalf of special interests against the gradual but irresistible progress of democracy. One finds this view expressed by a long line of distinguished Reformers and Liberals, such as William Lyon Mackenzie, George Brown, Sir Richard Cartwright and William Lyon Mackenzie King, each of whom contributed variations on the basic theme. It is not, of course, the purpose of this paper to discuss the development of the theme throughout Canadian history but one general observation may, perhaps, be permitted: that what had been in the day of Mackenzie a set of substantially true opinions about the enemy had become a century later nothing more than a collection of demagogic shibboleths, sanctified by incessant ritualistic repetition. After all, times do change and political parties with them, and there was as much difference between the realities of the eighteen-twenties and 'thirties and those of the nineteen-twenties and 'thirties as there was between the incisive utterance of "The Firebrand" and the shapeless verbosity of his grandson.

Mr. King, with his habit of moralizing, was prone to treat the party battle as a monumental struggle between the forces of good and evil. He seems to have thought of himself as filling his grandfather's shoes in carrying on the fight against the powers of darkness and to have regarded all his Conservative opponents, but chiefly Arthur Meighen, the most dangerous because the most able, as the spiritual descendants of those arrogant and autocratic men against whom his rebellious ancestor had so valiantly contended. Thus, in King's view, Mr. Meighen, like the Tories of old, in addition to being a subservient colonial, a bigoted enemy of French Canada and a subverter of Parliament, was the creature of that powerful group of oligarchs whose ambition to dominate the state threatened the very foundations of Canadian democracy. Speaking in the budget debate in the 1921 session of Parliament, he put this opinion in the following

words, which may incidentally help to explain why Meighen once referred to the "essential humour" of King's addresses<sup>1</sup>:

. . . we have come to have in Canada, on the one hand, a Prime Minister and a ministry to whom usurpation of office and the exercise of autocratic methods in Government belong as a sort of natural right, and, on the other, a small circle, a sort of little oligarchy of interwoven financial, manufacturing, transportation and distributing interests, prepared in return for a continuation of favour and special privilege, to use their wealth and influence to keep the Administration in power, and thereby constituting in a very true sense the real though invisible Government of this country.

We have, in other words, political power united with plutocracy in a bond of self-interest, the former the visible symbol of authority, the latter the governing and directing force in the State. We have a Government, democratic in form, but autocratic in behaviour, and back of that Government, and vastly superior to it in many respects, we have the privileged coterie of wealthy and influential men, . . . who are not satisfied with sharing in the control of industry and the State, but wish to dominate both. They are for the time being able to exercise this domination at their own free will, for the Administration owes its existence to their dictation and its continuance in office to the powerful influence which in a multitude of directions, they are able to exert. There is the real situation with which this country is faced at the present time. That is the danger to Canada at the moment . . . that we have on the one side the selfish groups united together working for their joint ambitions, and, on the other, the great body of the people left to look after themselves.<sup>2</sup>

It is generally admitted that the city of Montreal has been for some time a financial, manufacturing, transportation and distributing centre of some importance and that the business class of that city has had, on occasion, both political ambition and political influence. Arthur Meighen, like all his predecessors, and no doubt like Mr. King, was naturally anxious to enlist that influence on the side of himself and his party. In this he was, by and large, unsuccessful; true *rapproch* with St. James Street eluded him. Indeed, some of the leading personages of that thoroughfare did all they could to embarrass him in order to force his resignation as Conservative leader and replace him with someone more to their liking. Their failure to support him, together with the bitter hostility of French Canada, which was unscrupulously fostered by the Liberals of Quebec, created in that province the most important and bafflingly complex political problem he had to face between 1920 and 1926.

In the forefront of the anti-Meighen movement conducted by some of the tycoons of Montreal was Hugh Graham, Baron Atholstan, a man whose career cries out for investigation — by someone with a knowledge of abnormal psychology. Immensely rich and successful, he was the owner of several newspapers, chiefly *The Family Herald and Weekly Star* and *The Montreal Daily Star* which Graham and his father had established shortly after Confederation. In 1920 the former had the largest circulation of any Canadian publication and among the daily newspapers the latter was second only to *La Presse*. *The Montreal Daily Star* under Graham's guidance was given to

<sup>1</sup>Canada, Parliament, House of Commons, *Debates*, 1921, I, 28.

<sup>2</sup>*Ibid.*, IV, 3603.

tub-thumping campaigns and bizarre crusades which made the other main English language paper in the city, *The Gazette*, seem by contrast even more sedate and respectable than it was. Graham had obtained (some might say extorted) a knighthood in 1908 through the good offices of Sir Wilfred Laurier and a peerage in 1917 on the recommendation of Sir Robert Borden. The latter, writing in his diary, sized up *The Star's* owner as, "a singular mixture of cunning and stupidity. His great weakness lies in his belief that he can hoodwink others . . . . Evidently he is consumed with immense desire for peerage. Speaks of it as a bauble hardly worthy of his acceptance."<sup>3</sup>

The first (and last) Baron Atholstan was noted for his large philanthropies and petty conspiracies. During the South African War he had insured the lives of Canadian soldiers to the extent of \$1,000,000. To celebrate the marriage of his daughter and only child in 1925 he donated \$250,000 to charity and gave his employees double pay for the week. He took a special interest in the problem of disease, providing \$100,000 for cancer cure research and the same amount for the establishment of the Montreal Anti-Tuberculosis and Public Health League. Many other worthy institutions and well-intentioned groups profited from his generosity, from McGill University to the Society for the Prevention of Cruelty to Children.

But Atholstan was more than a benefactor of mankind. Obviously he aspired to play a dominating role in politics from behind the scenes as a puppet-master manipulating the politicians. He was, Meighen has said of him, "a political intriguer in a class by himself,"<sup>4</sup> a "circuitous, gumshoe sort of person"<sup>5</sup> who "could turn a corner so fast you could hear his shirt tails snap."<sup>6</sup> He "had a passion for being inscrutable. He wanted to be sought after and he wanted to be feared."<sup>7</sup> And, it may be added, he wanted someone other than Arthur Meighen to lead the Conservative party. To that end his conspiratorial talents and the news and editorial columns of *The Star* were pretty consistently devoted between 1920 and 1926.

In this desire Atholstan was by no means alone among the Montreal magnates, though he seems to have played a more or less lone hand and certainly employed methods uniquely devious and unscrupulous in seeking to attain it. *The Gazette*, perhaps in lesser measure and undoubtedly in a less sensational manner, was also hostile to Meighen, presumably reflecting the views of much of the city's business community and in particular those of the C.P.R.-Bank of Montreal group, whose mouthpiece, it has been rumoured, *The Gazette* was. As for the leading members of that group themselves it is difficult to document their part in these matters. Circumstantial evidence there is aplenty but as their deliberations were no doubt

<sup>3</sup>Sir Robert Borden, *Diary*, May 4, 1916. The *Diary* is in the possession of Mr. Henry Borden, Q.C. of Toronto. I am indebted to him for permission to read it.

<sup>4</sup>Arthur Meighen to the writer, February 12, 1952.

<sup>5</sup>Same to same, July 30, 1952.

<sup>6</sup>A remark attributed to Meighen by various persons in conversation with the writer.

<sup>7</sup>Meighen to the writer, October 14, 1952.

carried on verbally and in private the record is obscure. It would be interesting, for example, to know just what part, if any, E. W. Beatty played in the Montreal politicking of the 1920's, which was so largely inspired by dislike of railway nationalization. We are told by Beatty's biographer that, "as President of the C. P. R. we see him opposed to nationalization while as a patriotic Canadian he wished every success to this new railway venture."<sup>8</sup> But from the same source one gets the impression that Beatty believed that what was good for the C. P. R. was good for Canada and there is no doubt that he thought the existence and competition of a publicly owned system bad for the C. P. R. Meighen is of the opinion that Beatty was not personally implicated in any scheme to oust him from the leadership, as a necessary first step towards modifying or terminating the policy of public ownership. However, more than once he received warnings, especially prior to the election of 1921, that the influence of the C. P. R. organization was being brought to bear against the Conservative party.

Meighen's unpopularity among the bigger "big wigs" of Montreal, most of whom by instinct and the traditions of their class were inclined to support his party in national affairs, seems to have been caused chiefly by the fact that he was, in their sight, most unsound on the railway question. This was a subject which loomed so large in the thinking of some of them as to amount almost to an obsession and they apparently thought that Meighen had to be put out of the way before the problem of the railways could be solved to their satisfaction. To these men anyone more radical than Warren G. Harding was a dangerous revolutionary and no one had been so prominently active as Meighen in framing, explaining and defending the various measures giving effect to a policy which *The Star* described as, "that discredited and ruinous fantasy of the most demented form of Socialism, viz.:— Government ownership of railways."<sup>9</sup>

Related to the Montrealers' dislike of public ownership was their suspicion that the Conservative party under Meighen's leadership, as under Borden's, was too much under the influence of financial interests in Toronto, represented mainly by the Canadian Bank of Commerce and the National Trust Company. This alleged influence was personified best by two men prominent in public life — Sir Joseph Flavelle and Sir Thomas White. Flavelle was President of the trust company and a Director of the bank. White, before he joined the Borden Government in 1911, had been General Manager of the National Trust and after his retirement from politics in 1919 became a Director of that company and Vice-President of the Bank of Commerce. It was felt in Montreal that this Toronto group, which included besides Flavelle and White such others as Sir Edmund Walker, Z. A. Lash and E. R. Wood, had been instrumental in forcing Borden and his colleagues to embark upon the treacherous sea of public ownership by acquiring the Canadian Northern Railway in 1917, and

<sup>8</sup>D. H. Miller-Barstow, *Beatty of the C. P. R.*, (Toronto, 1951), p. 35.

<sup>9</sup>*The Montreal Daily Star*, December 7, 1921.

that that step had been taken to save the Canadian Bank of Commerce from disaster. The continuing influence of these men was to be seen in the appointment in 1920 of White as the member representing the Government of Canada on the Grand Trunk Arbitration Board and in the choice of Flavelle as Chairman of the Grand Trunk Railway in 1921, pending its amalgamation with the other Government lines. As some incidents of the 1921 campaign were to show, Meighen, in the eyes of St. James Street, was too much under the baneful domination of Toronto, a charge that could be used to good political advantage in Quebec.

There were other counts against him as well. For one thing, as *The Gazette* explained, "Quebec will not have Mr. Meighen." The alleged crimes and enormities committed against French Canada during the war had been and would continue to be attributed to him by the Liberals of Quebec, who delighted in depicting him as a slavish colonial eager to sacrifice Canadian blood and treasure in Britain's wars. It was fruitless, *The Gazette* contended, to argue that the charges made against him were untrue; the important fact was that they were believed to be true by the mass of French Canadian voters. It was idle to hope that the Conservatives could effectively combat the kind of propaganda used against them as long as Meighen remained in command of the party. Until there was a change of leadership the party might as well write the province of Quebec off as virtually a dead loss.<sup>10</sup> In this connection it is fair to remark that neither *The Gazette* nor *The Star* made any effort to refute the absurd calumnies about Meighen which were spread broadcast throughout Quebec. Sometimes they reported them in their news columns but never did they devote editorial space to exposing the cynical mendacity that typified Liberal campaign methods in that province. In fact there were relatively few Conservatives in Quebec who had the will or the courage to defend Meighen; it was not the popular thing to do.

Meighen, then, was looked upon in Montreal as a hopeless political liability as far as Quebec was concerned. At the same time, paradoxically, to some people in the city he was suspect as being too lukewarm where the mother country and the imperial connection were concerned. For example, *The Star* was highly critical of his stand on the Anglo-Japanese Alliance at the Imperial Conference of 1921.<sup>11</sup> Lord Atholstan was an imperialist of extraordinary emotional fervour and before the conference convened his newspaper waged an intensive editorial campaign in favour of renewing the alliance. Meighen, however, argued skillfully and successfully against renewal and *The Star* made no attempt to hide its displeasure. The Prime Minister, it remarked disgustedly, "had a chance to show . . . that a Conservative leader regards it as a duty and a privilege to co-operate with the British Empire in policies which its responsible officials think essential to Imperial safety." Instead he had sided with the United States against

<sup>10</sup>*The Gazette*, Montreal, September 22, 1926.

<sup>11</sup>On this subject see J. Bartlett Brebner, "Canada, the Anglo-Japanese Alliance and the Washington Conference," *Political Science Quarterly*, L (1), March, 1935, 45-58.

the United Kingdom, Australia and New Zealand; he had failed in his duty and refused the privilege.<sup>12</sup>

These were some of the reasons why Meighen was looked askance at by the moguls of Montreal. Anxious for their support and yet not willing to give ground where his policies and convictions were at stake, his strategy was to appeal to them and to Quebec generally on what in his opinion was the great issue of the day — the tariff. Pointing to the tariff resolution of the 1919 Liberal convention, he sought to strengthen his support within his own party and also to detach Liberal protectionists from their allegiance to Mackenzie King by contending that a government headed by the latter would sell out to the Progressives and lower the tariff in a bid for Western support. Had he succeeded in convincing Quebec of this danger it is conceivable that railways, conscription and the Empire might have become less dominating political factors in that province than they were. But his argument made little impression in Quebec where the 1919 platform was not taken very seriously and where it was widely held that a province with sixty-five seats in the House of Commons had the best possible guarantee that its economic interests would not be endangered. Even when the King Government did reduce the duties on agricultural implements in 1924 the Conservatives were unable to benefit greatly from the resulting division in Liberal ranks, since to the mass of voters in Quebec the iniquities of conscription were made to seem more terrible and the danger of war with Turkey more imminent than any threat to the protective system. Furthermore, Meighen was handicapped in trying to arouse the businessmen of Montreal to join with him to preserve protection by the fact that Sir Lomer Gouin became, first, a Liberal candidate in the 1921 election, and then a member of the King ministry which that election put into office. Gouin, as *The Gazette* pointed out, had "the respect, the confidence of all classes in Quebec" and was "solid and steady and sane in matters political."<sup>13</sup> Certainly he enjoyed the trust of the business class, a great many of whose Conservative members had supported him during his fifteen years as Quebec's Premier. They looked upon him as one of their own, as his election in 1920 to the Boards of Directors of the Bank of Montreal and the Royal Trust Company indicated. They were confident that any Government of which he was a member would pursue a safe and sound course with respect to the tariff. Consequently, until Gouin's resignation shortly before the tariff-reducing budget of 1924 was brought down, Meighen found it difficult indeed to attract to his protectionist banner that element in Montreal, whether Liberal or Conservative, for whom the maintenance of the National Policy was at once an economic and an emotional necessity.

The tariff, then, in the opinion of the businessmen of Montreal was not really an issue, at least until 1924. The overriding fact in their minds was that the Conservative party, with Meighen in the forefront, had needlessly and to its eternal shame led the country down

<sup>12</sup>*Star*, December 7, 1921.

<sup>13</sup>*Canadian Annual Review of Public Affairs*, 1921, p. 483.

the garden path towards the public ownership of certain railways; the overriding necessity was to rescue the country from the consequences of that ill-conceived and disastrous policy. If this could be done through the Conservative party by inducing a change of heart in its leader or by wringing some concessions from him, well and good; if not, other means would have to be found. In September, 1921, shortly after the dissolution of Parliament, Lord Atholstan tried a gambit of characteristic effrontery, evidently in the hope of bringing Meighen around. His Lordship's journalistic and financial support was important to the Conservatives of Quebec. This he knew and they were willing to admit. He was, of course, in a position to dictate the terms on which such support might be offered and in 1921 the terms included a willingness on Meighen's part to give ground on railways. Atholstan scribbled in pencil on a scrap of paper the draft of a letter which he intended the Prime Minister should send out over his signature, addressed to Senator George G. Foster and A. J. Brown, both prominent Montreal lawyers with extensive business connections, and to Atholstan himself. The draft letter reads as follows:

In any matter subject to my control or my influence directly or indirectly in respect of the Railway problem I will take you into consultation and will associate with you one other probably Sir Robert Borden and myself and thoroughly thrash out all possible plans for the relief of the country of as much of the annual deficits as possible and what any three of us agree upon as the best solution will have my earnest support under all circumstances. In the meantime I ask you to give earnest study to the question from the standpoint of the country's interest. In addressing the public I will say it is too soon to condemn pub[lic] ownership but if the deficits continue something must be done and it may be very drastic.<sup>14</sup>

For Meighen to have sent out such a letter would have made him Atholstan's captive and subject to blackmail. The letter was not sent and the public reference to the railway matter suggested by Atholstan was not made. Early in October, replying to a letter from Brown containing the same suggestion that the Government should consult with Foster, Atholstan and him, the Prime Minister expressed his willingness to do so but added, "It is understood, of course, the Government must take into consideration the views of, and consult with its supporters in Parliament . . . ." <sup>15</sup> Since their views, like Meighen's own, were averse to the changes so much desired in Montreal, it must have been evident to Atholstan and his friends that nothing was to be gained by trying to work through the Conservative party as then constituted and led.

When Atholstan spoke in his draft letter of "possible plans for the relief of the country," he no doubt had in mind a proposal set forth in a memorandum submitted to Meighen in the previous April by Lord Shaughnessy, President of the C. P. R. until 1918 and still one of its Directors, a proposal which found much favour in Montreal. In a letter accompanying the memorandum Shaughnessy stated, "To

<sup>14</sup>Arthur Meighen Papers, Public Archives of Canada, draft of letter in Lord Atholstan's handwriting, September 17, 1921.

<sup>15</sup>*Ibid.*, Meighen to A. J. Brown, K.C., October 3, 1921.



my mind the railway question involving, as it does, such an enormous draft on the annual revenue of the country with no prospect of any improvement in the near future is the most momentous problem before our country at this time." The memorandum, he pointed out, "merely brings up to date on very much the same lines a similar paper that I prepared about the end of 1917, and sent to Sir Robert Borden. He feared, I imagine, that as my plan would apparently create a Canadian Pacific monopoly in transportation it would not be acceptable to the country." Shaughnessy admitted that some people would again find in his suggestions "a selfish desire on the part of the Canadian Pacific to control the railway situation. The Canadian Pacific bogey has served its turn on every occasion in the past thirty-five years, when schemes were being promoted with disregard of the cost to the country."<sup>16</sup>

Shaughnessy's proposal in brief was that the Grand Trunk, the nationalization of which had provoked a particularly violent protest in Montreal, should be returned to its former owners and relieved of all obligations with respect to the Grand Trunk Pacific, so that it might stand on its own feet. The railway properties of the C. P. R. should be separated from its other assets and added to the Government Railways. This consolidated railway system should be administered and operated on behalf of the Canadian people by the existing C. P. R. management for a term of years approaching perpetuity. The shareholders of the C. P. R. would be compensated by the Government of Canada contracting to pay, "in perpetuity, a fixed annual dividend on the share capital, to be supplemented by a further payment when the whole property was yielding a specified return."<sup>17</sup> These changes, it was argued, would result in very large economies in railway operation.

It is difficult to believe that Shaughnessy seriously thought his plan had any hope of acceptance by Meighen, who was more intimately connected with the policy attacked in the memorandum than anyone else in public life. Two cardinal principles inherent in that policy were that a railway monopoly must be avoided and that in a system of public ownership public control was essential. Such control should not involve political interference in the day to day management of the lines but it must involve ultimate political authority over an enterprise in which public funds were so heavily invested. Both these principles were violated by the Shaughnessy plan and on that account, if on no other, it was unacceptable to Meighen. He acknowledged the letter and memorandum verbally<sup>18</sup> but did not send a written reply. However, his opinion of the scheme was expressed in a letter to a friend in Ontario.

You will see on reading Lord Shaughnessy's memorandum that it is not a suggestion for the Government to acquire the C. P. R., it is a suggestion embodying the transfer of the National Railways to the C. P. R., the management of the railways by the Company, the Government paying the deficit

<sup>16</sup>*Ibid.*, Shaughnessy to Meighen, April 6, 1921.

<sup>17</sup>*Canadian Annual Review*, 1921, pp. 410-11.

<sup>18</sup>See Meighen Papers, Shaughnessy to Meighen, April 20, 1921.

whatever it is, and guaranteeing the C. P. R. shareholders their dividends, but having nothing to say as to who should constitute the management or as to what obligations are incurred. I do not find the approval very general but there are a certain number who would approve of almost anything if it comes from a source they favour. I have every respect for Lord Shaughnessy but he has been a long time with the C. P. R.<sup>19</sup>

If Meighen was not prepared to give serious consideration to the plan, some other politicians were. In fact, so it seemed to the press barons and financiers of Montreal, the Quebec Liberals were more alive to the gravity of the railway problem than the Prime Minister and, in their vigorous and consistent opposition to nationalization, had adopted a more correct and more truly Conservative stand than the Conservative party itself. Sir Lomer Gouin, for instance, was an outspoken critic of public ownership and on his influence, chiefly, the Montrealers pinned their hopes for a new policy. In a campaign speech at the end of October Gouin declared, "The Railway question is of paramount importance now. Unless it is settled there will be a national tragedy . . . . Our roads show immense deficits while privately owned roads over the same territory can declare dividends . . . and so long as we run nationally-owned roads so long will our debt increase. The problem must be settled, no matter who wins. If the Meighen policy continues we will certainly have a national disaster."<sup>20</sup> Of the same view was Rodolphe Lemieux, who stated explicitly, ". . . only one solution has been proposed, and that is the one given by the most competent man on this continent, Lord Shaughnessy. I prefer a monopoly to bankruptcy."<sup>21</sup> Walter J. Mitchell, Quebec's Provincial Treasurer until he became a candidate for a House of Commons seat in 1921, was equally critical of the course that had been followed and many other Liberal candidates in Quebec came out against public ownership.

This was undoubtedly a source of embarrassment to Mackenzie King in the rest of the country and he was moved to state that Lemieux, in endorsing the Shaughnessy plan, had been speaking only for himself.<sup>22</sup> This inspired a scathing editorial in *The Star*, which referred contemptuously to the "Boy Leader," who owed his position to the Quebec Liberals and who would lose it if he got too far out of step with them.<sup>23</sup> Indeed, in Montreal Gouin, rather than King, seems to have been looked upon as the real leader of the Liberal party and the man whom the forthcoming election would place in a dominating position at Ottawa. The expectation was that no one of the three parties would have a majority in the new House of Commons. *The Star* explained that the formation of a Government would have to be preceded by "negotiations" in which Gouin would presumably be the key figure,<sup>24</sup> and *The Gazette* predicted that his control of the large Quebec representation would "enable him to

<sup>19</sup>*Ibid.*, Meighen to J. C. Hodgins, April 27, 1921.

<sup>20</sup>*Canadian Annual Review*, 1921, p. 484.

<sup>21</sup>*Ibid.*, p. 482.

<sup>22</sup>*Ibid.*, p. 490.

<sup>23</sup>*Star*, October 17, 1921.

<sup>24</sup>*Ibid.*, November 24, 1921.

command the situation."<sup>25</sup> In fact a major re-alignment of political forces would have to take place so that Liberals and Conservatives of sound business judgement and common sense could combine to save the nation from financial ruin. C. H. Cahan, in declining to oppose W. S. Fielding in Halifax, probably spoke the mind of the Montreal business class when he said, "... the financial and economic problems, which so sorely beset us, will undoubtedly necessitate entirely new political alignments; thoughtful and experienced minds of both the old political parties must break from former party affiliations and co-operate to preserve the solvency of the country."<sup>26</sup>

An inkling of what the Montreal oligarchs apparently had in view in the way of new political alignments may be gained from a memorandum prepared for Meighen's information by his old friend and fellow Manitoban, Senator W. H. Sharpe, in August. Reporting on opinion as to whether there should be an election that autumn or the following spring, Sharpe wrote:

... the Bank of Montreal and the C. P. R., and many of our friends in Montreal are in favour of an election this fall, and they claim if you have an election this fall and come back with 75 or 80 members you can make a deal with Quebec members who during the election will be solid against us. I have met friends of the Hon. Mr. J. L. Parent, who stands very close to Sir Lomer, and at my request, they have had several meetings and decided to meet you and have an understanding before an election is called.

Also you should certainly have a meeting with Mr. Beatty and the President of the Bank of Montreal, for they control Sir Lomer and a large number of the members from Quebec, and I am told Sir Lomer will come into the Government with you after the election.<sup>27</sup>

Sharpe did not go on to specify the terms of the projected "deal" but it is probably safe to assume that they would include a revision of railway policy, perhaps along the lines of the Shaughnessy plan. This Meighen would be expected to concede in return for an alliance with the Liberal protectionists and the voting strength in the House which their accession would bring. In some respects this must have been an enticing prospect for Meighen. Quebec was by far his party's most serious weak spot and it would be helpful indeed to be able to count on Gouin's undoubted influence there. Furthermore, as such a re-orientation of political groups would probably bring the low tariff Liberals and the Progressives together against the combined protectionist elements, the tariff could more easily be made the chief national issue as Meighen thought it should be. On the other hand there were serious disadvantages to be considered. For one thing, a coalition with Gouin would antagonize French Canadian Conservatives who had been fighting him on the provincial level for years. For another, it might alarm and alienate Conservatives in other provinces. Some of them had had enough of coalitions since 1917 and desired to see tradi-

<sup>25</sup>*Canadian Annual Review*, 1921, p. 484.

<sup>26</sup>*Ibid.*, p. 489.

<sup>27</sup>Meighen Papers, Memorandum, August 2, 1921. It is unsigned but bears the notation, "Memorandum to be returned to Senator Sharpe."

tional party alignments restored as fully as possible. Many of them, too, were inclined to fear the influence of Quebec, not only of French Canada but as well that of the great business interests alleged to be behind Gouin. Furthermore, Conservative opinion outside Quebec was on the whole favourably disposed to the railway policy then in force. Finally, a bargain with Gouin, if it involved a new departure with respect to railways, would necessitate a repudiation by Meighen of a major policy of the Borden Government. As a member of that Government, of which he felt his own to be a continuation, he assumed responsibility for all its actions and was prepared neither to revise nor to repent them.

On balance these disadvantages of a union with the Gouin Liberals outweighed any advantages it might bring, and the understanding which Sharpe had envisaged failed to materialize. In any case once Sir Lomer had thrown down the gauntlet by declaring that, "If the Meighen policy continues we will certainly have a national disaster", Meighen could not unite with him except at the cost of disowning everything he had done in the field of railway affairs. Instead he did the only thing he could do — strike back at Gouin. Thus transportation was added to conscription as one of the main issues in the campaign of 1921 in Quebec and Meighen was forced to give up his last hope of keeping the tariff question to the fore there.

Among his supporters were some who argued that it would be good strategy to make railway policy the chief issue in the rest of the country as well, in order to exploit the general popular approval of public ownership. Since the attempt to detach the Liberal protectionists of Quebec from their party had failed, why not try to take advantage of the widespread fear that Gouin's influence might bring about the destruction of the National Railways in the event of the Liberals forming a Government? One of those who propounded this idea was Tom Blacklock, then Ottawa correspondent for *The Gazette*, a close friend of Meighen and a shrewd political observer. About a fortnight before the election Blacklock sent to the Prime Minister an interesting analysis of the situation along with some urgent advice.

I have always been convinced [he wrote in part] that the great issue was the consolidation and preservation of the National Railway System . . . . It is indisputable that the future of the National Railway System is menaced by Sir Lomer Gouin's support — the Canadian Pacific Railway and allied Montreal corporate interests. Eight provinces favor the retention of the National Railway System but those eight provinces are not voting on this issue while the great province of Quebec is being mobilized to attack and destroy that system. . . .

The Canadian Pacific is using its whole power and prestige against you. Right here in Ottawa every non-union C. P. R. employee is against you, and in Montreal the C. P. R. organization is in compact with your enemies. Why should we hesitate to force them into the open and make the co-ordination and preservation of the National Railways the supreme issue? The C. P. R. cannot do more against you than they have done and will do.

A Meighen-Gouin coalition would mean your political ruin. Opposition is much preferable to office with the suspicion that would be attached to such coalition. Gouin is the tool of the C. P. R.; would return the Grand Trunk to former owners; would destroy the National Railway System; is opposed to your imperialism, and the enemy of organized labour. Can you afford such

association? Such a coalition could only be accomplished at a price — the fulfillment of the desire of the C. P. R., and everybody knows of that desire. A coalition would be a betrayal of the Quebec Conservatives to their bitterest enemy Gouin, and the terms of the pact, a betrayal of the Nationalization advocates throughout the Dominion. . . .

I firmly believe you must make the issue — Canada vs C. P. R. You may not win but you would make impossible a Liberal-Farmer coalition; make possible a *bonne Entente* between Conservatives and Farmers; and would preserve the National Railway System by exposing the C. P. R. conspiracy. . . . Do not become a party to any scheme that means either co-operation or coalition with Gouin. He represents corporation Quebec; you must remain representative of progressive Canada.<sup>28</sup>

To this rather gamy missive Meighen replied, "In pointing out the direction to me, I think you are right as to just what words should be used now. There is room for no other opinion."<sup>29</sup> But he must have had in mind another bit of advice he had received a day or two earlier from one more cautious than Blacklock and an equally keen student of matters political — James A. Calder. ". . . hit Gouin &c hard on the railway question without dragging in the C. P. R. if this is possible," Calder wrote. "I know it is difficult and that if C. P. R. passes the word along the result may be disastrous. Personally I would take the chance if it is well handled."<sup>30</sup>

To make the issue "Canada vs C. P. R." or to "hit Gouin &c hard without dragging in the C. P. R." — that was the question. The decision had to be made a few days later. On November 25th C. Grant MacNeil, Dominion Secretary of the Great War Veterans' Association, who had recently discussed the whole matter with the Prime Minister,<sup>31</sup> sent identical telegrams to him, Mackenzie King, T. A. Crerar, Sir Lomer Gouin, E. W. Beatty and Sir Vincent Meredith, President of the Bank of Montreal. They were asked to comment on the following charges:

. . . it is alleged that an alliance has been formed under the leadership of Sir Lomer Gouin between the Quebec Liberal party interests, the Canadian Pacific Railway interests, the Bank of Montreal interests and Wall Street interests to accomplish through traitors in all parties:

1. Confusion in the public mind on election issues to minimize the possibility of a party majority on December sixth, thus enabling manipulation for Government through coalition.
2. The betrayal and downfall of Hon. Mackenzie King as leader of the Liberal party to enable accession to that post of Sir Lomer Gouin supported by Hon. W. J. Mitchell and a Quebec bloc.
3. The betrayal of the Right Hon. Arthur Meighen from within his party for the purpose of enforcing agreement to coalition with Sir Lomer Gouin on the terms dictated by the latter, failing which the elimination of Mr. Meighen.
4. The corruption of the "key men" in the Progressive Party to undermine confidence in the integrity of its leaders.
5. The formation of a coalition Government which would acquiesce in the return of the Grand Trunk Railway to its former owners and the ultimate disposal to American Railway interests as well as the looting of the Canadian

<sup>28</sup>*Ibid.*, Blacklock to Meighen, November 21, 1921.

<sup>29</sup>*Ibid.*, Meighen to Blacklock, November 22, 1921.

<sup>30</sup>*Ibid.*, Calder to Meighen, November 20, 1921, confidential.

<sup>31</sup>*Ibid.*, MacNeil to Meighen, November 25, 1921, telegram, *personal*.

National Railways to the point where transfer to private corporation control would be welcomed by the tax-payers.<sup>32</sup>

The other recipients of the telegram denied all knowledge of any such conspiracy but Meighen answered:

There is ample evidence that first two parties referred to Sir Lomer Gouin and leading Quebec Liberals, are determined on transfer or disintegration of present National Railway system. Proposals of Lord Shaughnessy on same subject have been expressed in memorandum now public. Beyond that I do not know views others referred to.

Whether downfall of Hon. Mackenzie King as leader is sought on behalf of Sir Lomer Gouin, backed by a Quebec bloc, is for them to say.

Personally I have been loyally and splendidly supported by all Parliamentary followers and candidates for Parliament in our behalf and judging from every indication am being now supported by the great mass of the people. The policies stated in your message to be subject of attack after election are policies established and put into effect by the present Government. I have defended them through many sessions against every assault. By those policies I stand and no combination or manoeuvre will turn me from my course.<sup>33</sup>

Apparently this attack on Gouin and Meighen's unequivocal declaration of adherence to established railway policy was too much for Lord Atholstan. On November 30th *The Star* became openly hostile to the Government in a manner that provided a sensational climax to the campaign. Until then its stand on the approaching election had been somewhat ambiguous. It had expressed its contempt for King and for much of that remarkably variable platform on which he was campaigning. On the other hand it had refused to endorse the Conservative party, its leader or its candidates. Rather it had urged the voters to support candidates who believed in protection and "economy", the latter probably being in *The Star's* vocabulary a euphemism for the Shaughnessy plan. What Atholstan obviously desired was the election of a large bloc of Quebec members of the Gouin-Lemieux-Mitchell variety but until the end of November his newspaper refrained from openly attacking the Meighen Government. Meighen's reply to the MacNeil telegram presumably provoked the extraordinary roorback which *The Star* used in the closing days of the campaign to ensure the defeat of Conservative candidates in Quebec and in Montreal more particularly.

In its issue of November 30th *The Star* gave front page prominence to what purported to be a despatch from its Ottawa correspondent. This was headed:

STARTLING RUMOR!  
REVOLUTIONARY RAILWAY CHANGES SAID  
TO BE CONTEMPLATED

Measures Calculated to Tie the Hands of the  
New Government

The 'despatch' stated, "on authority that would be recognized as

<sup>32</sup>*Ibid.*, Same to same, November 25, 1921, telegram.

<sup>33</sup>*Ibid.*, Meighen to MacNeil, November 26, 1921, telegram.

unimpeachable that the Railway Board contemplate making immediate and important changes in the staffs of the Government railways. The report is that Montreal . . . is to be deprived of many of its best railway men; and it is suspected that Sir Joseph Flavelle may be behind the new policy."<sup>34</sup> In succeeding issues these assertions were repeated and amplified, leaving the impression that the plot was to remove the head office of the Grand Trunk from Montreal to Toronto preparatory to making the latter city the headquarters of the consolidated National Railway system which would be formed when the Grand Trunk was united with the other publicly owned lines. A similar rumour had been spread in Montreal the preceding summer and *The Gazette* at that time had angrily declared it to be the settled policy of the Government and Sir Joseph Flavelle to make Toronto the capital of the National Railways.<sup>35</sup> But the rumour had been laid when Flavelle wrote a categorical denial to *The Gazette*.<sup>36</sup>

With the revival of the charge by *The Star* the Liberals in Quebec were quick to catch their cue. The party's publicity committee took full page newspaper advertisements to proclaim, "Montreal Threatened. Destruction of One of Its Greatest Assets."<sup>37</sup> Sir Lomer Gouin asserted that a vote for the Government would be a vote for the removal of the National Railway headquarters from the city and the loss of 50,000 of its population.<sup>38</sup> Herbert Marler, a candidate in Montreal, declared at a public meeting, no doubt to great applause, that he would not tolerate the withdrawal of railway headquarters from his city.<sup>39</sup> It seemed evident, as J. A. Stewart, the Minister of Railways put it, that the purpose of *The Star's* allegations "was to provide new material for Gouin and other Quebec speakers."<sup>40</sup>

Both Meighen and Flavelle denied absolutely that there was any truth whatsoever in the "startling rumor" and the former demanded that he be shown the proofs which *The Star* claimed were available. A week after the defeat of his Government Meighen went down to Montreal with Stewart. On the train they happened to meet Flavelle who joined the party. The three were met at the Ritz-Carlton Hotel by Lord Atholstan and A. R. Carman, Editor of *The Star*, and were driven to the office of Howard G. Kelley, President of the Grand Trunk. What ensued can best be told in Meighen's own version which he wrote to Calder:

Today I was down to Montreal to see the "proofs". Jack Stewart went with me, also Sir Joseph Flavelle happened to be on the train, and I took him up as well. We were met at the Ritz by Lord Atholstan, Carman, the Editor, and a witness, I suppose he was, by the name of Rowat. They took us to Kelley's office and the scene there was really absurd beyond words. Kelley and Carman cut a sorry figure and looked the part. They asked me

<sup>34</sup>*Star*, November 30, 1921.

<sup>35</sup>*Gazette*, July 28, 1921.

<sup>36</sup>Meighen Papers, Flavelle to the editor, *The Gazette*, August 8, 1921, copy.

<sup>37</sup>*Gazette* and *Star*, December 3, 1921.

<sup>38</sup>*Star*, December 2, 1921.

<sup>39</sup>*Ibid.*, December 5, 1921.

<sup>40</sup>Meighen Papers, Stewart to Meighen, December 2, 1921, telegram.

what questions I had to ask and I said "None; I was there to be presented with those proofs." After a lot of stupid stammering Kelley pulled out a key and got a sealed envelope from a vault containing letters that I had already seen and that referred only to the retirement of a few officials. Not a word even contemplating or suggesting the removal of one man out of Montreal. I took a record of them, told them there was no evidence there that would impress a child out of the cradle. Kelley admitted there had never been a suggestion to move anybody from Montreal. Lord Atholstan was quite debonair but the others looked the part of convicted humbugs. I had the satisfaction of telling them that the entire episode was the most despicable conduct I had ever known in my life. This they took without rebuke as well as other sentences of an equally flattering character.<sup>41</sup>

The letters referred to had passed between Flavelle and Kelley and concerned the pending retirement of four Grand Trunk Vice-Presidents, who Flavelle proposed should not be replaced in the interests of economy and in view of the approaching amalgamation of all Government railways.<sup>42</sup> Nothing in them, as Meighen told Carman, "bore the remotest relation to the allegations, which by way of super-structure your newspaper built up through successive issues just prior to the election, upon the slender and purposely fashioned foundation of an Ottawa 'despatch.' . . . Indeed nothing referred to in the correspondence affected Montreal as a City, any more than it affected Honolulu."<sup>43</sup> In this opinion *The Gazette* concurred.<sup>44</sup> Its proprietors had little love for Meighen and still less for his railway policy but they did operate a newspaper and not a sheet whose news columns could be brazenly prostituted for an immediate political advantage.

*The Star*, in commenting on the disastrous defeat of the Conservatives, summed it up by saying, "This time the railway interests distrusted and feared them. This time, British sentiment was not enlisted in their favor. This time there was no reason why industry should dread a Liberal victory with Sir Lomer Gouin and his stalwart Protectionists at headquarters . . . . The cure is to get back to Conservative principles."<sup>45</sup> A few weeks later it had decided that the Conservative party had not been defeated because, "THERE WAS NO CONSERVATIVE PARTY IN THE LAST CAMPAIGN . . . . only by giving proof of its sincerity of purpose can . . . a party win respect and only under leaders of discernment, faith and ability can it command success."<sup>46</sup> In the opinion of the Montreal tycoons Meighen, for all his transcendent ability as a parliamentarian, was not such a leader and in the interests of party and nation he must be made to give way for someone who was. As he settled down to play the new role of Opposition leader he was soon to learn that his troubles in Montreal had only begun.

<sup>41</sup>*Ibid.*, Meighen to Calder, December 13, 1921.

<sup>42</sup>The entire correspondence and a laboured defence of *The Star's* conduct in the affair was printed in its issue of December 14, 1921.

<sup>43</sup>Meighen Papers, Meighen to Carman, December 15, 1921.

<sup>44</sup>*Gazette*, December 15, 1921.

<sup>45</sup>*Star*, December 7, 1921.

<sup>46</sup>*Ibid.*, January 4, 1922.