Monetary Times

Trade Review and Insurance Chronicle

of Canada

Address: Corner Church and Court Streets, Toronto, Ontario, Canada.
Telephone: Main 7404, Branch Exchange connecting all departments.
Cable Address: "Montimes, Toronto."
Winnipeg Office: 1208 McArthur Building. Telephone Main 2663.
G. W. Goodall, Western Manager.

SUBSCRIPTION RATES

One Year	Six Months	Three Months	Single Copy
$3.00	$1.75	$1.00	10 Cents

ADVERTISING RATES UPON REQUEST.

The Monetary Times was established in 1867, the year of Confederation. It absorbed in 1869 The Intercolonial Journal of Commerce, of Montreal; in 1870, The Trade Review, of Montreal; and the Toronto Journal of Commerce.

The Monetary Times does not necessarily endorse the statements and opinions of its correspondents, nor does it hold itself responsible therefor.

The Monetary Times invites information from its readers to aid in excluding from its columns fraudulent and objectionable advertisements. All information will be treated confidentially.

SUBSCRIBERS PLEASE NOTE:

When changing your mailing instructions, be sure to state fully both your old and your new address.

All mailed papers are sent direct to Friday evening trains. Any subscriber who receives his paper late will confer a favor by complaining to the circulation department.

PRINCIPAL CONTENTS OF THIS ISSUE

PRODUCER AND CONSUMER

THE contest between protectionists and free-traders has been generally looked upon as a struggle between producers and consumers. The argument for protection has always been that the government should restrict the importation of foreign commodities, manufactured at lower cost than similar domestic commodities, to enable the home producer to compete on favorable terms in his own market. The free-trade argument has been that such protection has always been at the cost of the consumer who has been obliged to pay the higher prices, and that this was unfair class legislation in that it taxed the many for the benefit of the few, while from the economic point of view it was unwise in that it forced the investment of labor and capital from more profitable to less profitable lines of enterprise. This argument is clear and familiar. It assumes that each individual, if entirely free to act, will seek the most profitable employment for his capital. The fact that a protective tariff is needed in order to maintain an industry in a given community shows that that industry is less adapted to the character of the natural resources, or the character of the producing population, than an industry which can support itself without extraneous aid. Protection, therefore, is supposed to be either useless or harmful—useless, where the home producer can sell his goods cheaper than the foreign producer; harmful, where the goods can be imported more cheaply from abroad, since it brings investment in less profitable lines.

In the face of this seemingly inevitable logic, the protectionists have been endeavoring to justify their faith; and some of their arguments have been profound, while others have been shallow. While we do not here discuss these arguments, we must remember that when the tariff becomes an issue of practical politics, as it is now between the agricultural and the manufacturing classes of this country, the necessity of appealing to different classes of people for support is almost certain to result in an array of inconsistencies. The most common and obvious inconsistency of the free-traders is their maintaining at one and the same time that protection is not needed in order to maintain a given industry and that the result of protecting such an industry is to divert labor and capital into less profitable undertakings. One charge may be true of one industry and the other of another, but they cannot both be true of the same industry at the same time. But the great inconsistency has been that of the protectionist party, which after saying that protection is necessary because of the inability of the home producer to meet the competition of foreign cheap goods, and mindful of the fact that the consumer wants his goods as cheap as possible and is willing to buy them from the foreign manufacturer rather than pay tribute to the domestic manufacturer, turns about and replies that under a system of protection domestic goods can be purchased as cheap as foreign goods under a system of free trade, because the growth of the domestic industry will lead to competition which will ultimately reduce the home price to the level of the foreign price. The obvious reply to this is that if the manufacturer has come to the point where he can sell as cheap as the foreigner he would not be injured by a reduction of the tariff.

Now, either the tariff raises prices here or it does not. If domestic prices are no higher than foreign prices, what is the good of protection? But if protection does maintain a higher level of prices for the benefit of the producer, then is there any way of escaping the conclusion that the consumer pays the price, and that the benefit of one domestic class is paid out of the pockets of another?

But let us not prejudge the question; for when we talk of the relation of the tariff to the price of a commodity we are inclined to talk rather glibly as if there were but one price for an article at a given time, when in reality there are various prices. Not only are different producers selling the same article at different prices, but the same producer frequently sells different parts of the same product at different prices in different markets. It is a common practice for producers to sell at different prices in different markets. In other words, the principle adopted in railway rate making of "charging what the traffic will bear" is now a common rule of trade. But, apart from these divergences of price, we must emphasize a much simpler but usually overlooked fact that at any given time for any standard article there is a producer's price, a jobber's price, and a retailer's price. Apart from the tariff entirely, a reduction of 25 cents in the mill price of a commodity is frequently accompanied by no change in the consumer's price; so it is quite possible that a reduction of a tariff by 25 cents, even