Backsetting the Farmer

VI.---More Lobbyists---The Grain Dealer and the Manufacturer

By A. S. Handicap

The next man to show up stated that he was a grain exchange man, in the milling interests. He was desirous of seeing that the government did not give way to the farmers' demands for amendments to the Grain Act in favor of the producer, and that the advantages that the millers had in the tariff of ten cents a bushel on wheat and sixty cents a barrel on flour should be continued. He pointed out that the grain dealers of the present day did not possess the advantages they held twenty-five or thirty years ago when the farmers of the west were in the grip of the elevator monopoly. He referred to these good old days in Manitoba when the premier of the province publicly defended the elevator monopoly on the grounds that widows' and orphans' money was invested and that it would be a crime to deprive them of their fat dividends—how the same premier went to Ottawa in 1889 and stated that there was no combine in the west, then came home and tickled the farmers at a picnic by telling them that he would load his grain direct on the cars and thus avoid the high charges of the elevator monopoly!

Half of him is bear and the rest is bull

Farmers' Financial Emancipation Act

The grain man declared that the decline of the power of the combine began with the passing of the Grain Act of 1900, and by 1903 the Grain Growers' delegation reported that "with the exception of a few minor changes, the bill as submitted by the delegates has become law." The producers were right in claiming that "The right to share and share alike with the elevators in the distribution of cars" was the final blow to the monopoly, and that the Grain Act might well be called the Farmers' Financial Emancipation Act. He recalled how the elevators tried to get the act changed and how the government then in power stood firm.

"'But, while the elevator monopoly is no more, the mill monopoly," he continued, "is still flourishing. Nearly all the small mills, so useful to the farmers for gristing and for supplying bran and shorts for feed, have been put out of business. The big export mills of Canada can be counted on the fingers of one hand, and yet we exported in 1916 $42,880,000 worth of products as compared with $27,694,000 worth in 1915, and our profits have been enormous. Of course we pay too little for wheat or get too much for flour, or both; but we are not in business for the good of the country, but for the benefit of ourselves.

Controlling the Crop

"'Am I a producer? No. I am a middle man. I weigh and grade and mix and dock and scour and clean and keep the screenings. I am a 'bear' in the fall when the grain is in the farmers' hands and a 'bull' as soon as my friends and I get control of the season's crop.

"In the past it has not been difficult to secure this control. You see, the head offices of the railway companies, the milling companies, the banks, the loan companies and the manufacturing concerns are in the east and a few wealthy men are the directors of them all. It is said that one Montreal man is a director of over twenty corporations. The railways want the grain hauled early while the weather is good; the grain men want control of the crop as soon as possible at as low a price as possible; the milling interests want their supply of hard wheat in hand; the loan companies and manufacturers want to get in their money. The banks are interested in all these; the head men of the companies say to the head men of the banks—that is, to themselves—'It is not good business to give the western farmers loans that will permit them to hold their grain.'

"Your Note Is Due"

"The word goes out from the head offices of the banks to the local managers, who call in their farmer customers and say to them, 'Your direct and indirect indebtedness to the bank is quite an amount, and the notes fall due the first of November. You have a pretty good crop this year. Do you not think that you had better get it threshed and sold as soon as possible so as to get these notes paid?'

"The farmer replies, 'My grain is well stacked; it is quite a long haul to market and I am very anxious to get my plowing done before it freezes up. Can you not advance me enough to pay off the claims you hold and give me a chance to get my ploughing done? Everybody is rushing grain to market now from the stook threshing and the price is bound to be better later.'

"The banker replies, 'Your notes draw a high rate of interest after maturity. There is danger and risk in not threshing and selling at once. The price may go up, and again it may go down. In any event, do you think you should speculate on grain, the proceeds of which really belong to your creditors? I think you had better thresh as soon as possible and not run any chances.'

"The result is that all the farmers try to sell at once, glut the market, establish a blockade at the elevators and lose a large amount of money.

The Bankers Win

"'But it all works out to the advantage of the bank interests. Not many years ago the government had to finance the buying of the western crop while the Canadian banks' money was used in speculation in New York at six per cent a week.

"'The farmers are compelled to follow a similar line to that taken by 'Rastus to get to the circus. A man who had helped 'Rastus and his family through the winter was surprised during the summer to meet 'Rastus with Dinah and the ten children, all going to the circus.

"'Why, 'Rastus,' he says, 'how can you afford to go to a show? Surely you have not money enough to buy tickets for all that crowd?'

"'Why, boss,' says 'Rastus, 'we done sold de heater to buy tickets for de show. De winter am a long way off, but de circus am here.''

Commission Both Ways

"We buy what we don't want and sell what we haven't got and charge the customer a fat commission both ways. We gamble in grain; we create artificial scarcities and starve the poor while we make a fortune for ourselves. We are generous subscribers to charitable institutions and the patriotic fund; but we sell flour cheaper in foreign countries than we do at the mill.

"Our attitude towards the farmers is that of the man who had saved money enough to buy an automobile. One day while going up a hill with his wife the machine stopped. 'You will have to get behind and push, Fanny," he said, 'because I have got to stay here and steer." The farmers can get behind the car of national prosperity and push, while we ride and direct its course to our own advantage.''

The Manufacturer

A very prosperous and influential individual is the manufacturer, who comes to the session early and makes a long continued stay. He acts as though he were quite at home and displays none of the bashfulness and lack of ease that marks the appearance of men who are not in the habit of getting government favors. His bearing indicates that he is more accustomed to command than to obey, that he is conscious of his power, that he is a Warwick among politicians. He knows what he wants. He has had experience enough since 1878 to realize what a good thing a high tariff is—for himself—and he asks for it with a confidence born of authority.

"YOUR NOTES ARE DUE: YOU HAD BETTER THRESH AS SOON AS POSSIBLE"

"I am a secondary producer of wealth," he declares, "and I want my raw materials free. When, in order to fool the farmers, you find it necessary to reduce the duty on any foreign-made implements I want their valuation raised so as to offset the reduction in the duty. I want the British preference reduced, if not abolished. But above all, I want a high tariff imposed on goods imported from abroad. I want a protective duty that raises the price of my goods.

Canada's National Policy

"It is true that when Alexander Hamilton recommended protection to the U.S. Congress, one hundred and twenty-five years ago, and when the national policy was introduced into Canada in 1878, two fundamental principles formed its basis:

"(1) That the duties to be imposed were temporary, or only until the 'infant industries' got a start; and,

"(2) That such duties, while a burden on the consumers for the time being, would be offset later on by the consumers getting cheaper goods through competition.

"But as the industries grew we owners became rich. We literally 'rolled in wealth.' We got political influence and we used this influence to put into power and to retain in power governments favorable to us. The 'infant industries' principle has been extended to 'all industries' for 'all time,' and what was proposed to be a light, temporary burden on the consumer has become an almost unbearable load. It is an indisputable fact that the present system of tariff taxation is killing primary production by its increase in cost, while it adds very little to the national revenue. If the government wants to raise revenue by high tariff, they should impose an excise duty on home manufactures equal to the customs duty on imported goods.

The Manufacturer and the Tariff

"If the farmers of Canada bought all foreign-made implements they would put about $20,000,000 per year in the Dominion treasury. But they buy nine-tenths Canadian goods at the same prices, and one-tenth foreign goods, with the result that the Dominion treasury gets two millions and we protected manufacturers get the other eighteen millions as a gift over and above our costs and legitimate profits. An excise duty, while keeping the burden on the farmers, would turn that eighteen millions from us into the public treasury; so you can readily see why we keep closely in touch with the work of every session of parliament.

"As to the second principle—that the burden would soon be offset by cheaper prices owing to competition among established industries—we have not only succeeded in keeping the prices from going down, but have actually raised them by substituting amalgamation and combination for competition.

"One of the beauties about amalgamation is the opportunity it gives for a large increase in capital—mostly composed of watered stock. One of our favorite arguments against reducing the tariff or lowering our prices is 'We must have profits sufficient to pay a reasonable dividend on the stock; we must pay a fair rate of interest on the capital.'

Dividends on Watered Stock

"The inside history of a few of our amalgamations will show how this works out. The cotton merger was formed some years ago with a capital of $19,000,000. Five millions of this was common stock, which was sold to the original holders at ten cents on the dollar. The original stock was paying five per cent interest, so that a person holding $5,000 of original stock and buying $5,000 common stock at ten cents on the dollar could pay for it out of the profits of two years old stock. After that he makes $5.00 profit every year on a share that cost him $10.00, which is equal to fifty per cent, and if he sold his new stock at par he would clear $90.00 a share on a ten dollar investment, which is equal to nine hundred per cent.

"But the company did not include in the dividends $218,000 for repairs and $235,340 for entirely new machinery; so that the company would soon have a new plant paid for out of the reserved profits. Then they would be in a position to issue another five millions stock, divided among themselves, and make another nice profit.

The Canning Factories

"'The canning factories were originally capitalized at $1,500,000, but when they were amalgamated the capitalization was increased to twelve millions. One can figure from this how much water the consumers have to pay dividends on when they buy canned goods.

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