

Canada's Tariff Policy After the War

WHAT Should it Be?—The Tariff in its Relation to National Development, Revenue, Protection and the Empire—Its Bearing on Employment and International Trade—The Importance of Production for Export—A Suggestive Analysis.

BY G. FRANK BEER.

THE least, although most obvious, value of import duties may be their usefulness as a means of obtaining revenue, and the least cost connected with them may be the amount of revenue collected. The value and cost of import duties such as we have in Canada, must be sought in their social and economic effect rather than in financial returns to the government.

The government of Canada obtains two-thirds of its regular annual income by means of customs duties. In 1914 the receipts on consolidated fund account amounted to \$163,000,000, made up as follows: customs department, \$105,000,000; excise department, \$21,000,000; post office department, \$13,000,000; railway department, \$13,000,000; miscellaneous, \$11,000,000; total \$163,000,000. The growth in proportion of customs revenue is shown by the following figures: 1901, 54 per cent.; 1903, 56 per cent.; 1906, 58 per cent.; 1908, 60 per cent.; 1911, 61 per cent.; 1912, 62 per cent.; 1913, 66 per cent.; 1914, 64 per cent. The effect upon the industrial development of Canada of raising so large a part of annual revenue by this means is necessarily far-reaching and deserving of careful study.

The tariff has nominally divided Canadian political opinion, one party advocating a tariff chiefly for revenue, while the other maintains the national importance of "Protection." Since the same tariff, for the most part, has served both parties, it is evident that no serious effort has been made to base the tariff upon the principles underlying the policies advocated. One party has been happy so long as no serious opposition developed in agricultural circles; the other has been content to enjoy the approval of manufacturing interests. One party inclines towards a reduction of duties, while the other favors as a minimum the "status quo." The Canadian tariff is the result of political expediency. Political parties unite in their desire to use it for both revenue and protection, without attempting to define the object and extent of the protection and with apparent indifference to the fact that in the proportion the tariff affords protection its value for revenue purposes is lessened, nor has any adequate effort been made to ascertain the effect of the tariff upon social well-being and national development.

There has been no lack of sincerity in the lengthy and sometimes bitter controversy over the comparative merits of "high" and "low" duties. We have been slow to admit that there exists no natural or scientific division of tariffs into these classes. Duties may be "high," and serve best as a means of raising revenue and of protecting home industries; in other cases they may be low and advance the same objects to an equal extent. The truth is that a tariff designed for definite ends calls for the use of both high and low duties. In this connection it is interesting to note the objects of the revised Japanese tariff bill as reported in recent cable despatches. The specific objects of the bill are: "First, to make hitherto dutiable articles duty free with the idea of encouraging domestic manufactured goods and the export of the same while checking the importation of these goods from abroad;

second, to lower the tariff on some articles in order to protect and encourage domestic manufacturing; and third, to increase the current tariff on some articles for the purpose of protecting home industries."

A better understanding of the tariff would be possible if it were divided into sections defining the objects for which it is framed; one section, for instance, might be devoted to "tariff for revenue," another to "tariff for protection," a third possibly to "tariff for production." Such classifications would indicate clearly the economic policy which the tariff is designed to embody. The manufacture of "revenue" commodities should not be encouraged under the impression that the tariff is designed to "protect" such industries; and it should be implied more clearly that "protected" industries have special responsibilities to the public which may not be evaded under the plea that the duties imposed are for "revenue." Tariff classifications such as these referred to would help to remove a present element of mystery from the tariff. Its objects might be so clearly defined that the policies offered by political parties for public support could be intelligently understood. If the consuming public is called upon to pay for "protection," it should be given to understand why, for what period, and for what ultimate purpose: "revenue" must be collected more largely from luxuries and from those best able to bear the tax: "production" must not be handicapped directly or indirectly by avoidable costs.

National Development and the Tariff.

To frame a customs tariff for Canada which will bear with some degree of fairness upon widely separated provinces, having conflicting industrial interests, is a matter of great difficulty. Under such conditions, foreign markets naturally compete both for what we have to sell and for what we buy. The cost of transportation from home producing points may completely offset the effects of a tariff otherwise adequate for "protective" purposes. An increase of duties which would protect the home producer against such competition, if taken advantage of in fixing prices at nearby points, would bear heavily and unfairly upon nearby consumers. While the effect of freight rates cannot be overlooked in framing a tariff for protection, it cannot be a sound policy to base duties upon costs of transportation rather than upon costs of production. In such cases, to penalize production by the operation of a high protective tariff may retard, if it does not seriously imperil, the development of the districts affected. An alternative should be found for a high tariff if these markets are to be retained for Canadian producers; and the needs of exceptional cases should be met without creating new maladjustments at other points. Revenues collected by a tariff designed for "protection" should be available for direct, as well as for indirect, measures undertaken to ensure the success of such a policy. This principle has already found expression in the payment of bounties to the producers of lead and steel; no change of principle would be involved in the payment to railway companies annually by the state of a sum sufficient to