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EDITORIAL.

Moderate Tariff a Necessary Evil.

Now that the findings of the Canadian Tariff Commission are in progress of digestion, it may fairly be said that the feeling of the country is for reduction rather than increase of existing schedules. Whatever sound arguments may be advanced for protection, the manufacturers' representatives failed to bring them forth. The burden of their song has been more protection, to give them a chance to build up their business and get rich. It is easy to understand why this should be a sufficient motive influence to induce the prospective beneficiaries to agitate for higher tariff, but the public are hardly convinced by arguments designed to subject the general consumer to the aggrandizement of a privileged class of capitalists. To bring the views of the country into alignment with their own, they should use deeper and sounder arguments than "we want." One beautifully transparent pretension was that farmers should join in the demand for protection, so as to preserve their home market, that all classes might thrive together in a balmy zone of high protection. The fact that the price of the general farmer's produce is, in the main, regulated by that of the exported surplus, and that any advantage he might gain locally now and then through duties on his products would be trifling compared to the general burden he sustains in tariff-augmented prices on what he buys, was overlooked. However, to establish that we are approaching this subject judicially, we admit there are valid arguments the manufacturers might have brought forward in favor of Canada maintaining a moderate tariff, so long as other nations, particularly the United States, maintains a high tariff. Instead, they weakened their case by egregiously selfish and narrow demands, and have left it for us to discern the underlying reasons why the sober sense—or might we say, the intuition—of our people has tolerated the fetters of trade.

Considered in its general aspect, the logical result of free imports would seem to be to favor those basic occupations, such as agriculture, mining, lumbering and fishing, now hampered by tariff-enhanced prices of living and utensils, maintained for the special benefit of lines of manufacturing which at present the country is supposed to be incapable of sustaining without fiscal protection. Some economists have gone so far as to say that if we were to throw down all tariff barriers, irrespective of other countries' policies, we would develop rationally along the lines of those occupations for which our country is naturally best adapted, and that the home market thus developed, taken in conjunction with the reduced cost of living, which means a reduced cost of labor, would enable those manufactures best suited to the country to flourish, and that these, built up on a sound, economic basis, would easily hold their own in domestic and export markets with the mutually-taxed, ill-adapted and pap-fed industries of high-protection countries. These arguments contain much force, yet the position illustrates the fact that general economic principles, promulgated without regard to specific circumstances, may, after all, work out to be economic fallacies.

Canada is a sparsely-populated new country, contiguous to a populous nation which got nearly

a century's start of her in development, and which has built up enormous industries, catering to a vast home market, being thus enabled to perfect methods, effect savings by manufacturing on a large scale, and use the comparatively small Canadian market as a convenient dumping-place for surplus goods; while Canadian manufacturers have had a comparatively small market to cater to, scattered consumers to reach, and no slaughter market to fall back upon. Under such precarious and circumscribed conditions, our manufacturers would be severely handicapped by a high tariff on the part of the United States and free imports into Canada, and there is no question but that the immediate and indefinitely prolonged effect would be to foster manufacture of our raw materials, as lumber, minerals, etc., in the United States instead of in Canada. Were there absolutely free trade both ways the case would be different, and a burden would be removed from farmers and other consumers of both countries, but with the present attitude of the United States, reciprocity is out of the question. The question, in a nutshell, then, is whether it is worth while levying duties on what we buy, thereby taxing our producing energies and diverting a part of our effort from the channels it would otherwise take, in order to build up manufactures. There are reasons why a moderate policy of this kind is necessary. Let us indicate some of them, not necessarily in order of importance:

1. A tariff is a feasible means of collecting necessary public revenue, and also enables us to fairly collect additional revenue in the form of excise. It must not be forgotten, however, that, in so far as a tariff is protective, it is not revenue-producing. Immoderate tariff, by prohibiting imports, defeats the revenue object.

2. We have need to encourage manufacturing to develop a strong, reasonably self-contained, self-reliant nation, to afford diversity of employment, and retain in our country a class we would otherwise have lost, for not all the people of a country will be disposed to follow farming, lumbering or mining, no matter how prosperous these occupations might be. If those with a bent for industrial life cannot find the opportunities here they will go to some other country, probably the United States. We need manufactories to build up cities to round out our commercial, social and national life, partly for the sake of their reflex influence on the agricultural communities. Cities, whatever their drawbacks, are galvanic batteries of progress, in thought as well as material things. The farming population is the bulwark of the nation, and should have every possible opportunity for prosperous development, but a nation of farmers exclusively would be somewhat of a burden unto itself. To imagine what our country would be like with few cities, go to a back district where there is no city within thirty or forty miles, and no town, perhaps, within ten.

3. Canadian natural wealth of soil fertility, minerals and timber is not inexhaustible. If we permit its unrestricted exploitation to furnish raw materials for foreign industries, we would, when we get ready to manufacture, find the cream of this natural wealth had been skimmed off to enrich an alien people. Export duties on raw material are one means of conserving the supplies; imposts on manufactured goods is another, though less effectual way, tending to their utilization in this country. A moderate tariff tends to bring to this country industries such as the International Harvester Works, which otherwise would, in all probability, continue much longer to draw labor and raw material to the parent plants south of the boundary. No one will deny that

there is a widely-distributed benefit from having such industries in our midst, and that a share at least of the tariff-maintained premium on prices of implements is returned to the Canadian farmer indirectly through the lucrative home market afforded for intensive lines of agriculture—butter, cheese, eggs, poultry, etc. On the other hand, had we had a prohibitive tariff on agricultural implements, it is not likely the American firms would have built up a trade here that made it worth while to establish a Canadian plant to save them the payment of duty, and we would have simply been putting fortunes into the pockets of Canadian firms by the double prices we would have been forced to pay under a prohibitive schedule. The case of the agricultural implement business illustrates the principle. We can't well dispense with tariffs, but we don't want them any higher than necessary. One thing that has been overlooked by some economists is the part that prejudice and personality play in business. To illustrate, suppose the case of two equally good makes of binders, one Canadian and one American. Nothing is more certain than that opinion of users will be divided as to the relative merits of these machines, especially if both are handled by aggressive local agents. With quality and price exactly the same, some of each would be sold—possibly a majority of American machines, for the big, enterprising Yankee firms are great salesmen. Now, under a regime of free imports, the American binders would pay not a cent of duty, and would anyone pretend it was advantageous to the country, or even to the farmer purchasers, that American should thus displace Canadian manufacture? Just how high a schedule we are justified in maintaining, or how high a wall is necessary, to cope with this trade prejudice, is not easy to say; it is a complicated problem, but all must admit that, with our goods virtually excluded from American markets, some margin of protection is fair to our manufacturer and in the best interest of the country; and what is in the interest of the country, as a whole, must, in the long run, be best for every class.

Our position on the tariff question is that of a great many sober thinkers in this country who have accommodated original free-trade views to existing conditions.

Protection is a burden, a handicap we would fain have removed from the backs of our people by reciprocity with all the world; but having regard to our peculiar circumstances, we consider that Canada has done well to maintain a reasonable tariff. But let it be moderate. The present one has worked very well, and is plenty high enough. If anything, the opinion is that, with our infant industries assuming the stature of mature proportions, and in danger of becoming overly aggressive, conditions warrant some reductions, but in the interest of stability, which is a prime desideratum, we believe the farming community will not yet ask for sweeping changes. Some hundred-per-cent. duties might very well be cut in two or three—the sugar refiners might manage to skimp along with a smaller toll on the consumer than the \$2,000,000 a year which Robt. Anderson, of the firm of Robt. Crooks & Co., sugar importers, declared before the Tariff Commission that the Canadian refiners were making over and above a legitimate 71 per cent. profit. It is possible, on the other hand, there might be a very few cases where slight increase might be advisable, but, for the most part, we have wisely set ourselves to level down instead of levelling up the tariff wall, and we believe the Tariff Commission, being men of good judgment, and having sounded the feeling of the country, will act according to the best thought of the people.