

SPECULATIONS AND NATIONAL WELFARE

The high cost of living in Canada is one of the subjects which receives a great deal of attention today, and which is attributed to many causes, some of these being natural, others unnatural. If any group of men by controlling large aggregations of capital, are enabled to regulate the output of any manufactured commodity they can of course enhance the price of that commodity; if they have the benefit of a protective tariff they can enhance the prices to the limit of their protection. This is being done today in Canada in many cases. The number of manufacturing establishments in Canada today is being steadily reduced by our trusts and combines which are freezing out competitors at a truly amazing rate. The number of manufacturing establishments in Canada in 1871 was 41,259; in 1906 this had been reduced to 15,796. A large number of these plants had been compelled to close down by unfair methods employed by strong competitors. Other plants had been sold out to combines and were closed to prevent over-production. An investigation of these various combines in Canada would give the people many eye-openers as to the cost of living, and would also show the iniquity of the protective tariff. It is possible that there may be combines that will be beneficial to the country in reducing the cost of production and also managerial expenditures. There are a number of such combines in Great Britain and the methods thus employed enable Great Britain to hold its supremacy as a manufacturing nation without any protective tariff. In the mother country this stock watering business is not being carried on as it is on this continent. We have on the statute books of Canada today an anti-combine law which cannot be said to be effective. The protective tariff in Canada has been supported and maintained by our governments ever since confederation. Yet there has never been an investigation of the results of protection. It would seem only a fair proposition that every industry enjoying protection should be subject to a most complete examination as to its capitalization, assets, production and in fact every detail. It would then be found that protection was not needed nearly as much as many of its beneficiaries assert. At the same time an investigation should be made of the system of speculation prevailing in railway and other stocks, grain and land. If accurate information were attainable as to how the cost of transportation, the cost of food and the cost of the land upon which we live is enhanced in value by speculative means for the benefit of non-workers, the people of Canada would unanimously demand and secure improvements that would mean a great advantage to the common people. There is too much guess work in our national legislation in the present day. Our politicians act too frequently upon assumptions which are not supported by facts. The common people of Canada today are groping after these facts and have a right to ask that the governments assist them in this work.

THE CEMENT MERGER

The revelations concerning the cement merger can come as no surprise to intelligent Canadians. Sir Sandford Fleming, however, deserves the gratitude of the public for his great service in ventilating the unsavory transaction and bringing it to the bar of public opinion. The facts of the case, which our Ottawa correspondent explained in last week's issue of The Guide, are briefly as follows:

In September, 1909, there was organized a merger of eleven cement companies located in different quarters of the Dominion. These companies each turned over their plant, good will and other assets to the new company in return for a consideration which consisted partly of bonds, partly of preferred and partly of common stock. The transac-

tion was not carried out directly between the subsidiary companies and the newly created trust. There was an intermediary called The Bond and Share Company, of which Mr. W. M. Aitken, now Conservative M.P. for Ashton-under-Lyne in England, was the moving spirit and practical proprietor, and it is in connection with the part played by this agency that Sir Sandford Fleming's charges are brought. His letters were prompted by efforts on the part of interested parties to secure legislation permitting The Canada Cement Company to issue \$11,000,000 of 5 per cent debenture stock in exchange for the 7 per cent, cumulative preference stock now existing. The obvious reason for this step was a desire to give some additional value to the common stock, and as many of the preference shareholders are also large holders of common stock, the change was not to their disadvantage, but there were others whose interests would suffer, and Sir Sandford Fleming raised the whole question in their defense. The gist of his charges is that the eleven companies forming the merger only received a total consideration of \$16,592,250 for their properties, whereas the intermediary Bond and Share company acquired by contract from the Canada Cement Company shares and mortgage bonds to the total face value of \$28,598,400. There is a discrepancy here of \$12,006,250; and Sir Sandford Fleming charges Mr. Aitken and his associates with having appropriated this amount to themselves when it ought, subject to certain reasonable deductions for services rendered, to be the property of the Canada Cement Company. This question is possibly a private matter between the shareholders, but apart from this, there stands out clearly the fact that the Canada Cement Company as at present existing, offers a most glaring instance of organized and concerted abuse of the tariff system. The \$13,000,000 worth of bonds, whose ownership is now in dispute, represents the amount of water which has been injected into the capitalization of the Canada Cement Company and on which the consumer is forced to pay dividends till eternity.

The tariff on cement is at the rate of 12½ cents (reduced to 11 cents if reciprocity passes) per 100 lbs., which works out to 43¼ cents per barrel. An additional duty, however, of 20 per cent, is levied upon the bags in which cement is imported, and the total burden, estimating the initial cost of cement at \$1 per barrel, is equivalent to an ad valorem duty of 51 per cent. The sponsors for the merger professed that they could earn 50 per cent. profit, which is practically identical with the rate of protection afforded by the tariff. They proceeded to take advantage up to the limit of the duty levied by the government, and the price of cement at the factories instantly jumped on the completion of the merger from \$1 to \$1.50 per barrel. The records of the purchases of the city of Winnipeg show that between the lowest price prior to the merger, and the price charged by the merger, within a year of its formation, there is a difference which works out to 47 cents per barrel. Every consumer of cement in Canada has probably had the same experience, and it may be calculated that the merger by means of its monopoly has been able to exact from the Canadian public an illegitimate toll of at least two million dollars in the last year. The excessive profits that have been thus filched from the users of cement have gone into the pockets of a small clique of men prominent among whom is Mr. W. M. Aitken, whom the so-called Imperialist party of Great Britain have taken to their bosom and given a safe seat in parliament. Mr. Aitken has been the organizer of most of the Canadian mergers, and has been directly responsible for some of the worst cases of systematic tariff extortion. The prospectus of one of his mergers, the Canadian Car and

Foundry Company, in promising large dividends to subscribers, frankly gave as the basis for these promises the existence of a 30 per cent. tariff and the ability to control production under its shelter. The Conservative party in England professes that it will be able to administer a tariff honestly and in the public interest, but ere it can convince the English electorate of this fact, Mr. Aitken must disappear from its ranks. The heroes of cement mergers in Canada will never cement the Empire.

The cement exposure has in some measure revealed the whole fabric of tariff chicanery to daylight, and the affair must be pursued to the bitter end. It is only one of many such scheming combinations, and the breaking point has now been reached. There is only one obvious and satisfactory remedy for the present case and that is the removal by the Dominion government of all duties on cement. The interests of the shareholders of the Canada Cement Company must not be preferred to the interests of the whole community. Let the Canada Cement Company make its dividends in the open market, and if possible, when readjustment takes place, let the government take steps to see that it is the Napoleons of finance and not innocent shareholders who suffer loss.

LET THE FARMERS OF THE WEST MAKE, THROUGH THEIR MEMBERS, A SPECIFIC AND RESOLUTE DEMAND FOR FREE TRADE IN CEMENT.

ASK MR. BORDEN'S OPINION ON THE QUESTION WHEN HE APPEARS AMONG US, AND JUDGE HIM BY HIS WORKS. The proofs of one gross abuse of the tariff system are at last available in abundance, and if the people of Canada are willing to waste them idly, they deserve to bear their burdens.

It is almost certain that there will be a Dominion election before another year. It is quite evident that the strongest efforts will be made by the politicians of both parties to "pull" the members of the Grain Growers' Associations their particular way, either by lavish promises or appeals to the old bugaboo of party loyalty and party prejudice. The associations should respond to all this by asking the candidates of both parties to sign a clear-cut, definite pledge, promising support, in the event of their election, to the demands of the farmers. Let us get a little above miserable party, peanut politics.

Col. Sam Hughes, the human fire cracker, who referred to the Western Grain Growers as "Blacksmithshop politicians who, while they spout politics, leave their wives at home in long boots, cleaning out the stables," is off to the coronation. Col. Hughes is a remarkable man—in his own estimation—and doubtless concluded it would be necessary for him to be somewhere handy when the King was being crowned.

Now that Mackenzie & Mann have had the bonds guaranteed by the Dominion government on over 1,000 miles of prospective railway at the rate of \$35,000 a mile, they will probably take a rest and make no further raids on Dominion or Provincial treasuries during the present year. Will the "lid" some day be lifted and reveal all the strings these enterprising gentlemen hold for pulling governments and chloroforming the public?

Now that seedling is over, the time is approaching for resuming Grain Growers' meetings, and the usual quota of picnics will doubtless soon be announced. These picnics are a splendid idea and often reflect the unselfish efforts of a few men. The country owes a great deal to those who are quietly working without public reward to develop the spirit of organization among our farmers and the higher type of citizenship which is bound to arise out of it.

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