

defence. The object of a wise protective system is not to bolster up inefficient management, worn-out plants and antiquated methods of production or marketing. Protective duties should be based only upon the ascertained needs of efficient producers.

Effect of Tariff on Export Trade.

The importance of export trade is referred to elsewhere. It is sufficient at present, therefore, to refer to the fact that we can produce for foreign markets only if we can sell our products profitably in competition with the world. Protective duties can find no justification if the direct or indirect results place Canadian exports at a disadvantage compared with competing products. Among the factors which govern this production are (1) the cost and availability of raw materials, (2) the price of necessary machinery, (3) labor efficiency, (4) wage rates. It is obvious that the market prices of living necessities are reflected in the wage rates paid to labor. If these from any cause are increased, production for export trade will be handicapped unless greater labor efficiency, favorable trade treaties, advantageous freight rates, or other factors, offset the resulting disadvantages. The same is true in the case of raw materials and machinery. But there is an added factor which has not received sufficient attention from those affected. We should no longer consider personal or even provincial interests as of primary importance. World markets are essential to Canadian prosperity and the total cost of the various factors entering into products for export must not exceed that of our competitors. If, therefore, raw materials, necessities of life, and other requirements for production, are made dear as a result of the tariff their increased cost will weigh with prejudicial effect upon the wage rates of Canadian labor. Conversely, the less the cost of the other factors entering into the products, the greater will be the margin available as payment for labor. It is, therefore, of importance to Canadian labor that the requisites of economic production should enter Canada free of duty, unless otherwise procurable at a cost which will not jeopardize production for export. If, however, revenue requirements render the collection of duties unavoidable, compensating measures should be taken to stimulate the productive efficiency of machinery and labor. There is constituted an urgent demand upon the Dominion government for the generous support of trade and agricultural and technical training. The use of labor-saving machinery should be greatly extended and the policy of scientific and industrial research already entered upon vigorously prosecuted in order that the increased market value of Canadian national production, either in quality or quantity—preferably in both—may offset the handicaps which otherwise may result from the operation of the federal tariff. For many years we have accepted a policy of protection without taking the measures necessary to develop its logical economic accompaniment—a highly organized and efficient system of production and marketing. It should be realized more fully that in the last analysis the protection which is secured to home industries by improved methods of production and marketing is the only sure and permanent protection.

As to Trade Balances.

Heretofore we have expected imports and exports to find a satisfactory adjustment by means of international trade. Whatever the merits of this method in the past, there is little reason to believe that it will serve equally well for the future. International trading will be seriously affected as an outcome of the war and will depend more than formerly upon trade alliances and an assured

exchange of products. Large use will be made of tariffs as a means of economic rehabilitation, not necessarily as forms of reprisal, but to meet the necessities of the financial situation. A fiscal policy wholly justifiable and desirable when adopted by a creditor country, may prove little short of suicidal under other conditions. That an exchange of commodities between countries may prove of advantage to each is not disputed; the fact remains that Canadian exports must for many years vastly exceed Canadian imports, owing to our past heavy borrowings, private as well as public. The Canadian tariff, therefore, must be made more manifestly a means of bartering products for products as the minimum of our economic requirements. Great Britain being the largest and most certain market for Canadian products, it may pay us better as a nation to purchase our foreign requirements there even at a slightly greater money cost. We may be able to buy, for instance, in the United States some commodities at a less immediate cost, but it does not follow that such purchases will bear the same ultimate cost. Great Britain will in future be less of a creditor nation than formerly. To the extent, therefore, that we direct our purchases to British markets we ensure the sale of home products and stimulate their production. This sale and stimulus may well repay substantial tariff preferences; for trade balances should not be left in future to find as they can a satisfactory adjustment.

A Board of Industry.

As a first step toward the reforms advocated it appears desirable that provision should be made for the consideration of the tariff solely from the standpoint of fiscal requirements and national interests. It may be found necessary for the federal government to appoint a permanent board of industry, whose duty it will be to study the relation and balance which should exist amongst our productive activities, having regard to the necessity for an accepted policy which will secure for Canada the largest available dividend. The necessity for the appointment of such a board will be apparent when it is realized that irreconcilable differences exist between East and West and between different classes of producers which may have serious results unless reasonable compromises are brought about as a result of better understanding the problems common to each in connection with production and marketing. Intelligent public opinion can be united if the issues are not obscured by party catch-words and misrepresented because of inadequate and misleading information.

A protective tariff wisely designed may be made to strengthen the national structure, to enlarge opportunity and diversify employment. But protection is a narcotic as well as a stimulant. If not carefully restricted to national ends, it may be made to enrich individuals at the expense of the State, to weaken initiative and efficiency in industry, and to corrupt politics by the sacrifice of principles to party expediency. The present haphazard system of protection can not and should not remain as the national policy of Canada. Those who for patriotic reasons approve a protective tariff should unite in supporting measures to prevent its abuses and reform existing irregularities. Such measures may, and doubtless will, be the subject of controversy, but difficulties will disappear whenever the national purposes of a wise protective policy for Canada receive clear definition. Equality of talent and income, even if desirable, are not obtainable by state action, but equality of opportunity is an ideal of democracy for which the people of Canada may well sacrifice selfish interests and existing party divisions.