

PROFITS OF CANADIAN INDUSTRIES

Statement That They Are Excessive Proved to Be Without Foundation.

ARGUMENTS BASED ON INCOMPLETE DATA Manufacturers Should be Protected by a Reasonable Tariff.

Hon. T. A. O'Connell, Mr. F. F. Pardee and others who would deny to Canadian manufacturers reasonable tariff protection to offset lower wages paid in other countries and compensate for handicaps on manufacturing which are inevitable in a new and inadequately developed country, are fond of invoking the Census of Industry in support of their arguments. On the basis of such Census of Industry, compiled and issued by the Dominion Bureau of Statistics, these men endeavor to prove that the profits in Canadian industries have been grossly excessive. Their procedure is to take the gross value of the manufactured product, deduct the cost of materials, wages and salaries, and certain other items of expense, and proclaim the balance as the manufacturer's net profit. That such argument is quite fallacious, is shown by the following statement by Mr. J. H. Coates, Dominion Statistician, under whose direction the Census of Industry is prepared:

"The question as to how to obtain a statement of net manufacturing profits is one that cannot finally be answered from our Census of Industry any more than a statement of farming profits can be answered from our Census of Agriculture. We could, of course, insert a question asking every firm what its net profits were during the year covered. We avoid this, however, because our inquiry is made with broad economic purposes in mind, and not for regulative action, which, as above stated, can be based only on intensive investigation into the whole range of business management."

The Census of Industry does not specifically include, and has never specifically included, the items of depreciation, loss on account of bad debts, interest and discount, or travelers' commission. There is a space for "Other Sundry Expenses" but there has been no uniformity on the part of manufacturers in making returns under this heading, and the chief statistical officer of the Dominion Bureau of Statistics, who under Mr. Coates, has had charge of the census work for many years, is authority for the statement that the Bureau has not expected manufacturers to include such items under the "All other Sundry Expenses" heading, or indeed to report them in any form under the heading "Miscellaneous Expenses." Some manufacturers have reported these items of expense, but many have not, and the lack of uniformity makes it utterly impossible to give any reliable estimate of net profits on the basis of the Census of Industry figures alone. A recent survey of the boot and shoe industry by the Canadian Reconstruction Association, showed that items of expenses, other than cost of material and salaries and wages, represented 12.2 per cent. of net sales in 1918, whereas the partial list of expense items shown by the Census of Industry accounted for only between 5 and 7 per cent. Surely it is time that criticism of legitimate Canadian industries by Canadian public men should be in accordance with all the facts.

During the budget debate, Mr. F. F. Pardee, M. P., contended that the so-called "luxury tax" of 10 per cent. should be paid by the Canadian manufacturer and not passed on to the Canadian consumer. Mr. Pardee asked the question: "Why should not the common man be saved that additional tax?" The answer is this: To pay such tax would not only take all the profits of the average Canadian manufacturer, but would also involve him in a heavy deficit and force him to close his doors. Careful investigation will show that average net profits to Canadian manufacturers do not average anything like 10 per cent. on turnover. It is a fact, for which there is abundance of official and other evidence, that Canadian manufacturers have been operating at a small margin of net profit even during the war.

A careful survey of the Ontario furniture manufacturing industry by Messrs. Clarkson, Gordon and Dittworth, showed that in 1917 profits averaged only 2.35 per cent. on the capital employed, and 3.110 per cent. on total sales. Again, an analysis of the boot and shoe industry for all Canada showed an average profit for 1918, for a large number of representative firms, only 6.29 per cent. on turnover, and 7.37 per cent. on capital. In 1915 the same companies averaged less than 1 per cent. on turnover. In view of such figures as these, how could Canadian manufacturers absorb a 10 per cent. levy on their sales?

Farm Machinery Free.

Since Feb. 7, 1918, close to 22,000 farm tractors, valued for customs purposes at approximately \$72,000,000, have been imported into Canada from the United States without payment of duty. If the normal custom duty and the war tax had been collected and if importations had been on the same scale, the Federal Treasury would have collected more than \$6,000,000. It was, the farmers escaped any contribution to the Federal revenue on these purchases, despite the fact that the wheat crop was guaranteed by the Government and Government machinery employed for its sale, while the farmers received war-time prices for all their products. By remission of duties on farm tractors, additional taxation burdens were placed upon people in the cities and even upon those farmers who were not sufficiently well-to-do to buy tractors. It should be suggested, the tractors

and had been made in Canada, employment would have been provided for 10,000 men, and at least \$10,000,000 would have been distributed in wages. Instead, more than \$22,000,000, plus exchange, went to the United States, there to build up United States industries and to provide employment for foreign workers. Moreover, the purchase abroad of tractors and other goods which could be made in Canada creates exchange against the country and increases the cost to every citizen of such essential import commodities as coal, cotton, sugar, and oil.

No less than nine reputable Canadian manufacturing companies either were already producing tractors or were preparing to do so when the Order-in-Council was passed putting this equipment on the free list without giving Canadian manufacturers an opportunity to supply such machines. Development of the tractor industry in Canada would have stimulated the development of other allied industries and provided additional employment to Canadian industry, prices of Canadian farm tractors would have been lower, if any, higher than the prices of comparable tractors when sold for consumption in the United States. In cases where prices of Canadian-made goods are higher in Canada than the prices of corresponding products in the United States, the higher Canadian prices are due, in very large measure, to revenue-producing duties which must be paid on fuel, materials, machinery, equipment, and plant of a kind not obtainable in the Dominion.

It should be noted that more than 90 per cent. of the Canadian demand

is being supplied with tractors made in the United States by foreign labor. Last year less than 1,000 tractors were made in Canada, owing to the removal of the duties, while numerous plants in the United States were making tractors by the thousands.

There is no good reason why equally efficient equipment cannot be made in Canada if reasonable protection be provided, and the fact that nine or more Canadian companies are ready to start the manufacture, under a moderate tariff, is ample proof of definite competition that would protect the Canadian purchaser against excessive profit-taking.

TO FORCE McADOO ON CONVENTION

Admirers Insistent That He Be Standard Bearer for Democrats.

Kansas City, Mo., June 23.—In a telegram sent from Pueblo, Colo., to the train bearing Missouri delegates to the Democratic National Convention, Burrill A. Jenkins, Kansas City clergyman and publisher, announced that he had definitely decided to place the name of William McAdoo for the Democratic National Convention for the Presidential nomination.

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JAPS RECOGNIZE RUSSIA REPUBLIC

In Far East Providing it Shall Be Independent of Russian Soviet Govt.

London, June 23.—A wireless despatch received from Moscow says: Japan has agreed to recognize the Far Eastern Russian republic on condition that it shall have complete political and economic independence of the Russian Soviet Government, and that it guarantees to be a democratic form of government. The despatch adds that the Foreign Minister of the republic has declared that these conditions are acceptable.

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"Willie—"Yes, pa, but I told him I thought you hadn't better have any strap."

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AND A YOUNG MAN LEAPED OUT AND PUSHED UP TO THE HOUSE.
(CONCLUDED—MORROW)