

International Commercial Friction

Why Great Britain's import restrictions are legitimate

Throughout the United States a great deal of criticism has been directed against the import restrictions which Great Britain announced she would place upon her foreign trade on March 1st, and this criticism is still to be detected in the press of that country. It is acknowledged, however, by all well informed and fair minded men that Great Britain has not only the right to act in this manner but that she would be unwise to neglect such protection at this time. A number of well balanced comments on the subject have appeared in the New York Journal of Commerce. One of that journal's editorials on the situation which appeared in a recent issue under the above heading is herewith reproduced:

"There have been some inflammatory speeches in the Senate during the past few days, due to the imposition of restrictions upon importations into Great Britain. Those who have made the speeches are apparently under the impression that the restrictions in question were aimed directly at the United States and the outgrowth of envy or jealousy of our great volume of business. To this belief must be attributed the foolish talk about 'direct reprisals' in which some have indulged, as well as the less excited but equally bitter opinions of those whose constituents have been damaged or think they are likely to be hurt by the limitation of international trade.

This is another phase of the reconstruction or readjustment problem which is now predominant in the world and which has been so seriously misunderstood from many standpoints. We thought that we were going to be able to sell almost unlimited quantities of goods to Great Britain and other European countries, but we have found that they were already so overburdened with debt as to think it very questionable whether they can afford such purchases. England now even goes further and undertakes through national action to restrict her importations. Such a step is partly due no doubt to the artificial restriction of foreign trade and the unwise control of international exchange rates which she has maintained for some time past. This method of control, however, is in existence and perhaps cannot be immediately abandoned. One kind of government control begets another, and the artificial value of the pound sterling tends to make it necessary to prevent English citizens from spending more of these imaginary units than the nation as a whole can afford. It is a complex question all around, and he is either an ill-informed or an overhasty man who regards Great Britain's limitations upon international trade as an unfriendly act until he knows more about them and about the influences which have produced them.

The most unfortunate thing about the new policy in Great Britain is the excuse or warrant it seems to give to our own commercial restrictionists for calling for a similar policy in this country either through the use of excessively high tariffs or by some other means. Already those are heard who say that what is good for Great Britain must also be good for us, and that while the English have of course the right to restrict their foreign trade they must expect us to do likewise. The abstract theory of this position is of course sound enough, but it ignores the fact that we have for years adopted a policy of tariff exclusion without protest from Great Britain or any other country and that if we find it to our own interest to exaggerate it still further it is hardly likely that we shall find foreigners disposed to interfere with us. The question is not whether we have a 'right' to follow such a plan either with or without reference to Great Britain's newly announced scheme of action, but whether it is to be considered wise for us to do so. That such is not the case experience has demonstrated in past years, and even to-day it is probable that the abolition of all restrictions upon international trade, including both goods, capital, foreign exchange and oth-

er elements, save in so far as such restrictions were deemed necessary for purely revenue purposes, would be far more beneficial to the rank and file of the public than any other policy could possibly be.

It is as yet very uncertain how far any league of nations or peace treaties that may be devised will be likely to bring about greater freedom of intercourse between nations. The expressions in President Wilson's program which were interpreted by some as looking toward such greater freedom have already been sharply criticized by many and have in a sense been explained away by those who advocated them. It is not likely that they were even intended to contemplate 'free trade' or to impose any restrictions upon the 'right' of any given nation to impose tariff duties upon goods coming into its borders either for revenue or protective purposes. What can be said with assurance, however, is that any treaty of peace or adjustment of difficulties that may be brought about should be so developed as to minimize the unnecessary barriers to trade, whatever they may be, that have existed in the past. If there are tariffs which have been established not because of fiscal necessities but for the sake of damaging or attempting to damage the business of

other nations, it will be a serious failure on the part of the peace treaty not to eliminate the basis for such unnecessary friction. If, on the other hand, as was the case with the German commercial system before the war, there are tariffs and duties whose purpose it was to stir up strife among competitors, prefer some to others, and incidentally appropriate the natural business of other countries, the new treaty should make definite provision against the repetition or continuance of any such system. All this may be summed up by stating that while no one believes that any treaty of peace that is likely to come will control the fiscal systems of individual nations, every thoughtful man must be of the opinion that no such treaty can succeed unless it limits and reduces to a minimum the basis for international economic friction and unnecessary rivalry.

Probably this point of view would be freely enough admitted even by those Senators who have been amusing themselves with extreme and inflammatory expressions during the past few days. They are talking largely from the basis of conjecture rather than that of fact. It is a hazardous thing to do at a time when delicate international negotiations depend for their success upon the maintenance of mutual understanding and good feeling. The United States cannot afford to allow itself to be imposed upon, but neither can it afford to seek to enforce upon others a standard of international conduct which it fails to adopt for its own use."

War Savings Stamps Advocated

Professor W. W. Swanson, professor of Political Economy in the University of Saskatchewan, recommends the War Savings Plan as an insurance against unemployment and an assurance of work, wages and profitable markets. In a statement on the subject he says:—

"The one big economic gain that has indisputably been made in the past four years is the appreciation on the part of the people of the vital value of thrift in the life of the individual and the nation. The entire Anglo-Saxon world needed to learn that lesson. The United Kingdom at the outbreak of hostilities had investments abroad amounting to twenty-six thousand million dollars. And yet the British rather despised thrift. It smacked too much like parsimony. The Englishman increased his investments at home and abroad by making money—by making more wealth than he consumed. The Dutchman, the Belgian and the Frenchman had no such business genius or power of organization such as characterized the Anglo-Saxon; but they were able to dispute with Germany the financial supremacy of the Continent—because they had learned the lesson of thrift.

"The foreign investments of the United Kingdom proved a tower of strength in aiding the nation to stabilize exchanges and finance the war. Marvellous to relate, Great Britain has not only spent \$40,000,000,000 in waging war against the enemy, but has not decreased the total of its external investments by a penny. That is a record unparalleled in history. How was it done? Britishers were quickly confronted with the fact that it is not enough to 'make' money to guarantee financial success in a world-shaking struggle, but that the making of money must be buttressed by thrift. At first the workman and the farmer and the clerk were content to let the big corporations, the banks, the insurance companies and the rest bear the brunt of the burden in meeting the financial requirements of war. It quickly became plain, however, that the immense sums demanded for carrying on war in our day could be secured only through united and common effort and sacrifices. And much more: that the national wealth could be preserved unimpaired and the war carried to a triumphant conclusion, economically, from the proceeds of present production, if only each worker, whether of hand or brain, would practise thrift.

"And the people of the Motherland have done it. The story reads like a romance, although it cannot

be told in full here. In every city, town and hamlet, in every valley, in every farm-house the men and women with grim resolution saved and earned for their country's need. Even to-day \$125,000,000 each week is saved and handed over to the Treasury. The exigencies of war have widened the bounds of democracy in the Motherland by giving the masses a new standard of living and new economic opportunities—by Thrift.

"Canadians, in proportion to population, have equalled the best that has been accomplished during the war. The way they have come forward in the various Victory Loans has been magnificent. The increased deposits at the chartered banks indicate that they are learning the value of thrift. But as a people we have still, in that direction, a long way to go.

"It is impracticable to launch big campaigns for raising the capital essential to carry on the work of war—and peace. The tasks of rehabilitation are colossal. Our net national debt approaches \$1,500,000,000. Nevertheless, debts cannot be considered absolutely, but only in relation to ability to meet and pay them. Make Canadian business, and especially Canadian agriculture, prosperous and the national debt need not cause undue concern.

"For this capital is demanded. Cut off from the money markets of the world we have been taught to rely upon ourselves. To unduly increase the country's external obligations is dangerous. If the people of the United Kingdom, heavily taxed and having borne the brunt of the burden, can save \$125,000,000 per week Canadians can surely achieve a relatively equal success.

"We do not mave to make large sums to get ahead.

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"Something saved each week from even a humble income will guarantee independence and destroy the menace of penury in old age.

"I do not know of any investment which for safety and income equals the Savings Stamps now being offered at every Post Office in Canada.

"I do not know of any better way of assuring the future prosperity of the country than through financing the national requirements through the purchase of these Stamps. Take out a policy of insurance against Want by buying Savings Stamps now."