

Wasting Canada's Money

By J. W. WARD

In a recent article it was shown that the encouragement of the iron and steel industries has cost the people of Canada, in bounties and in the increased price which consumers have had to pay by reason of the protective tariff, a sum exceeding \$40,000,000. The farmer admittedly pays a larger amount of taxation through the customs duties in proportion to his income than men in other occupations, and as the farmer is a large user of iron manufacturers he naturally pays a large proportion of the money which the iron manufacturers are permitted to extort from the consumers of their wares in the way of high prices caused by protection. Consequently there can be no doubt that the farmer pays considerably more than his share of the cost of encouraging the iron and steel industries. But even if this were not so, the toll which the iron and steel industries, represented by about a dozen companies with a capital of nearly \$100,000,000, have been allowed to exact from the people of Canada, amounts, assuming the population of Canada to be 8,000,000, to over 45 per head for every man, woman and child in the Dominion of Canada. The reader can figure out for himself, according to the size of his family or the population of the township, or the village, town or city in which he resides, how much he or the community of which he is a member has contributed to this magnificent gift to the millionaire proprietors of the iron and steel plants—in addition to paying for their product the price at which he could have purchased them elsewhere, and he may perhaps then ask himself the question, "Is it worth while?"

Importing Iron Ore

It is said by the protectionist that the whole country benefits by the protective system, because of the development of the country which it brings about: the provision of employment, the building up of towns and cities, and the creation of a home market for the products of the farm. Without protection and bounties, they say, the iron and steel industries would never have been developed, and we should have to purchase the whole of our iron and steel from Great Britain and the United States, as in fact we still do a considerable proportion of the total consumption. The truth of this statement may well be questioned, because the Canadian coal and ore deposits are well known to be among the most valuable in the world, and sooner or later would have been developed, bounties or no bounties, simply because profits were to be made thereby. As a matter of fact, the greater portion of the ore used in the Canadian iron and steel foundries is imported, both the Dominion Iron and Steel Co., of Sydney, N.S., and the Nova Scotia Coal and Steel Co., of Sydney Mines, bringing practically the whole of the ore which they use from Newfoundland. The smelters are located in the midst of the Nova Scotia coal fields, and the fact that it is cheaper to bring the ore to the coal mines than to take the coal to the ore beds accounts for the location of the plants in Nova Scotia.

Rail Making Ruinous

But the defenders of the protection and bonusing of the iron and steel industries claim that steel rails and other forms of iron and steel cannot be produced in Canada, even with the aid of the bounties, as cheaply as they can be laid down by the British and United States manufacturers after the duty has been paid. This statement is itself the strongest possible argument against the bonusing or protection of the industry, for it merely means, in other words (since the wages and profits which are due to an industry are fixed by what can be secured in other industries), that the same amount of labor and the same investment of capital if engaged in some other industry would produce a more valuable commodity, or a commodity which could be exchanged for a larger quantity of steel rails.

Those who object to the granting of the farmers' demands for the lightening of the burdens imposed upon them by the customs tariff, declare that no other industry in Canada is so prosperous at the present time as that of agriculture, which is to say that a certain amount of capital and a certain amount of labor will produce a more valuable commodity if employed in agriculture than in any other business. If this be true, would it not be better, instead of inducing men by means of gifts from the public treasury to invest their money and to employ their labor in manufacturing iron and steel which can be got more cheaply by importing them, or others, to devote their energies to growing wheat and raising cattle which could be exchanged by process of trade for a larger quantity of iron and steel manufactured elsewhere. In order that there should be no waste of wealth or labor—everything should be produced where it can be produced most cheaply, and if it is a fact that a given quantity of Canadian wheat can be exchanged for a larger quantity of steel if that steel be produced in the United States than if it be produced in Canada, the reasonable proposition is that we should get our steel by growing wheat to exchange for it. Without bounties and protection, industries would only be established where their conditions were favorable, and not where they could only be sustained by taxing the whole country for their benefit.

Ready to Help Infants

Many free traders would be willing to give a reasonable amount of encouragement to an infant industry if they were assured that it would go to those who really needed it and that when the infant had once been put upon its feet it would be willing to walk on them. Experience has shown, however, that when an infant industry has been encouraged through protective duties or by means of bounties the stronger the infant has become the louder it has screamed for milk, until it has eventually become a lusty highwayman, demanding to be fed as its right, and threatening to kill the parent who refuses to continue to support it. The iron and steel industries are a case in point. The bounties were first given in 1883 and were to be in force for six years, but they were continued for twenty-eight years, and the steel magnates are even now making tremendous efforts to secure their renewal or the increase of the protection afforded them by the tariff.

An Exploded Theory

As far as the increase of population due to the development of manufacturing industries and the increased demand for farm products is concerned, that is an argument that has been exploded time and time again. Canada is an exporter of farm produce and consequently the price of those commodities is fixed by the export market, and the farmer at any rate gains no advantage by the increase of the population of towns and cities. An increase in the population of the country is good for the country provided the newcomers are profitably occupied, but a system which brings people to Canada for the purpose of supporting them by the taxation of the rest of the people is not one to be commended.

Begin Right

The nation builders who would create a great Canadian people by means of protective tariffs and bounties to manufacturers are beginning at the wrong end. Instead of taxing the man on the farm in order to build up towns and cities and create millionaires, let them remove every burden that is pressing upon the basic industry of Canada, whose untrammelled development cannot but be accompanied by the prosperity of every other industry for which the immense wealth and variety of the natural resources of Canada and the energy and industry of her people so eminently fit her.

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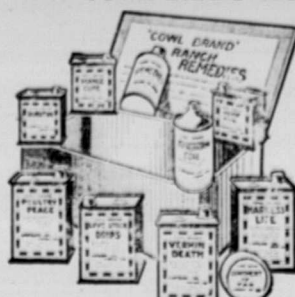
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