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Canada's Tariff Policy Analysed

If Consuming Public Be Called Upon to Pay For Protection, It Should Understand Why, For What Period, and For What Ultimate Purpose—A Plea For An Intelligent and Scientific Tariff.

THE object of a wise protective tariff system is not to bolster up inefficient management, worn-out plants and antiquated methods of production or marketing. Protective duty should be based only upon the ascertained needs of efficient producers. This statement is made by Mr. G. Frank Beer in a paper on national ideals in industry in "The New Era in Canada," a volume just published by J. M. Dent and Sons, Toronto. In his discussion of the Canadian tariff Mr. Beer says:—

Tariff policy has nominally divided Canadian political opinion, one party advocating import duties chiefly for purposes of "revenue," while the other has maintained the national importance of "protection." Since the same tariff for the most part served both parties, it is evident no serious effort was made to frame a tariff upon the principles underlying the policies advocated. One party was happy so long as no serious opposition developed in agricultural circles; the other was content to enjoy the approval of manufacturing interests. One party inclined towards a reduction of duties, while the other favored as a minimum the *status quo*. The present tariff is the result of political expediency. Political parties unite in their desire to use it for both revenue and protection, but without attempting to define the object and extent of the protection, and with apparent indifference to the fact that in the proportion the tariff affords protection its value for revenue purposes is lessened. Of equal or possibly greater importance is the fact that no adequate effort has been made to ascertain the effect of the tariff upon social well-being and national development.

Without attempting to exhaust the subject, one or two principles may be stated as illustrating a treatment of the tariff which might serve to advance national interests.

There is little room for party controversy in the statement that commodities should be easily and cheaply procurable in proportion as they are indispensable to life and health. If, under a "low" tariff, it is not possible to manufacture in Canada articles required by the least well-to-do citizens, such articles should not be made scarce or dear as a result of the tariff. Moreover, necessaries of life are indispensable to production, and commodities indispensable to production are not proper objects of heavy taxation. This is but an indirect way of stating that a "protective" tariff has natural limitations. It is a mere platitude to add that while Canada has to bear the present burden of national indebtedness luxuries should be heavily taxed, both by customs duties and otherwise. Tariff rates should increase proportionately with the cost and fineness of the commodities imported. For instance, in the case of floor coverings, some form of which is required in Canada owing to the climate, cheap and substantial carpeting should be admitted free or at a low duty, while higher grades should bear import duties in proportion to their costliness.

It is evident, moreover, that if the consuming public be called upon to pay for protection, it should be given to understand why, for what period, and for what ultimate purpose. An added cost to the consumer must be justified by some present or future national advantage. Possibly the period for which "protection" is granted should be definitely agreed upon, any extension being dependent upon comparative labor costs in production. Protected industries in this way would receive notice that they are expected to become self-dependent; that under special circumstances their "protection" may be continued; but that the industry must justify itself, since the purpose of the tariff is general and not individual advantage. The object is clearly not to ensure excessive profits for capital; the issue of watered stock by "protected" companies would therefore be considered as *prima facie* evidence of the necessity for tariff revision.

An argument frequently advanced for protective duties is that industry in Canada is handicapped since, owing to our smaller market, it is not possible to compete successfully with manufacturers whose market is a hundred millions of consumers instead of only eight millions. It must, of course, be admitted that there are economic units of production, and possibly eight million consumers do not in every case provide a sufficient market for such a unit. What shall we say, however, of industries which have multiplied until the factories engaged upon the same forms of production are numbered by the dozen or the score? If the economic unit of production referred to is ever to find its realization in Canada, will it be secured under the present system in which new capital is continually attracted to enterprises already established in order to share the profits of those who would have us believe that at least in their particular industry an economic unit of production is not in sight and the necessity for protective duties as urgent as ever?

One result of framing a tariff embodying a clearly defined policy would possibly be the weeding out of parasitic industries. If this is the result, it calls for no