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THE TARIFF AND CANADA'S FUTURE TRADE

Protection Has Become an Essential Part of the Economic Policy of Modern States, Excepting United Kingdom

The revision of the American tariff downward, during President Wilson's régime, gave rise to the opinion in certain quarters that protectionism, attacked in one of its chief strongholds, would gradually be discarded as a commercial policy. Whatever might have occurred during a period of prolonged peace has become plainly impossible as a result of the war. Whether or not there is to be an economic war after the war, it is evident that protectionism has secured a stronger grip than ever before upon the industrial life of the nations.

Keener competition than has ever yet been experienced will characterize economic activity at the close of the present struggle. A league of nations may enforce political peace in the international arena, but the struggle for industrial and commercial supremacy is bound to be bitter. Germany has already announced that exports of potash, of which commodity she has a virtual monopoly, will be strictly curtailed and regulated; and that supplies of essential raw materials will be imported under a national purchasing commission. It is not to be expected that the machinery for the control of the economic life of the nation, set up in the United Kingdom and perfected during the course of the war, will be thrown on the scrap-heap at the close of hostilities. Purchasing commissions, export boards, the control of supplies of bunker coal, the strict regulation of shipping and of inland traffic, will not be discarded by Great Britain at the signing of peace. Everything points, indeed, to a careful and minute regulation of the economic life of the great powers after the war.

Those who demand a lowering of the Canadian tariff, or its abolition save for revenue purposes, ignore the fundamental factors in the new world situation. The United States tariff commission is already working in a serious way upon post-bellum trade conditions, and the most effective manner of dealing with these through the tariff. Generally speaking, the United States has had only one set of customs duties during the course of its tariff history. Canada, as is well known, has a multiple system—tariff rates applying to Imperial British trade, intermediate rates applying since 1910 to France, and to several other nations enjoying most-favoured-nation treatment under British commercial treaties, and a third schedule of rates applying to all countries other than those making reciprocal concessions to the Dominion. In addition, there is the surtax, the chief use of which is found in effecting reprisals.

Every Tariff is not Protectionist.

For several generations the United Kingdom has carried on its fiscal affairs under the Cobdenite theory of free trade. The motherland has imposed a single and limited set of customs duties upon all commodities, subject to the tariff, regardless of the country of origin. It is evident that there is nothing of a protectionist nature in this tariff system, it being used for revenue purposes only. France, on the other hand, has levied tariff rates both for revenue and protection. Its tariff is composed of two parts, maximum and minimum

scales—the latter being available to those nations offering reciprocal advantages. Germany, since 1871, has carried on its commerce under a "general and conventional" tariff; the general tariff being the standard from which concessions are computed. The conventional is built up on specific agreements with various nations, offering concessions to German industry. Such tariff arrangements have been entered into with many European countries, including Austria-Hungary, Bulgaria, Greece, Italy, Portugal, Roumania, Russia, Serbia and Sweden. The German system is superior to the French as an instrument for securing commercial concessions. Since the treaty of Frankfort, France has been compelled to give Germany equal concessions with those granted to other nations with which specific agreements, effecting reciprocal advantages, have been made. On the other hand, France found it growingly difficult, before the war, to find an entry to the German market.

It may be expected that the most-favored-nation clause in commercial treaties will not hold a place of such relative significance, after the war, as it has up to the present time. The war automatically rendered obsolete all commercial agreements between belligerents; and a new series of treaties must be negotiated at the signing of peace. As is well known, Canada and the other British Dominions, for years before the outbreak of hostilities, held in disfavor the most-favored-nation clause in British commercial treaties, in so far as such a clause pertained to their commercial life. It will be recalled that the United Kingdom denounced its commercial treaty with Germany in order to avoid offending, in this particular, Canada's susceptibilities; which in turn led to a trade war between the Dominion and Germany. It goes without saying that Canada will insist, for the future, upon complete autonomy in its own fiscal and commercial affairs—a position which, indeed, has already met with full acceptance on the part of the United Kingdom.

Tendency is not Towards Free Trade.

In the abstract, and in the realm of pure theory, free trade may be the wisest commercial policy for the nations; but it is idle to suppose that Canada can materially lower its tariff in the face of hostile trade restrictions on the part of other countries. The logic of events will probably compel the United Kingdom to adopt, in some degree at least, a protectionist programme—as a weapon of offence and defence, and as a method of securing fair commercial treatment in the markets of the world. For, we must look forward, obviously, to a recrudescence of high protectionist feeling and legislation everywhere throughout the world. Nationalism has been deepened as a result of the war; and, rightly or wrongly, during the past hundred years, the leading nations have regarded a protective tariff as a means of stimulating and safeguarding national economic life. Moreover, war debts and the urgent necessity of increasing national incomes, will demand the retention of the tariff. Revenues must be raised for the preservation of national credit, and no one seriously looks to the income, and other forms of direct, taxes, to bear the entire brunt of the burden. And as long as Canada aspires to diversify its national industrial life, to emerge out of the pioneer stage, it will be essential to protect the economic activities of the nation by the use of an equitable and scientific tariff system.