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OUR ESSENTIAL INDUSTRIES

CANADA has an Industrial Reconstruction Association. Its aims are to reconstruct this country's industries after the war. In comparison with which, the twelve labors of Hercules will take second place unless some fundamental principles are put clearly before the public by the Association.

ALL countries now at war will have such reconstructive agencies. In all important countries industry has been wrenched from its customary emplacements by the needs of war. Munitions and its allied groups of industries have disrupted the use of raw materials, absolutely dislocated the old system of wages and helped to increase the difficulties of transportation.

WE have been hearing a great deal about essential and non-essential industries in a time of war. But are the industries so essential in war so necessary in peace? Probably not. A nation at war must have immensely more iron and steel, copper, rubber, wool and flax than a nation at peace. To get these we sacrifice lingerie, fine textiles, fancy breakfast foods, and scores of other things. In pre-war days all the industries a nation produced were essential—to that nation. Will they be essential in post-war days?

WE shall see. There are two normal reasons for any industry: domestic consumption; export. National pride in industries comes as a result of sales on the market either at home or abroad. Usually a commodity that sells well at home sells well abroad. Hence the big industry enabling the producer to make the same brands of goods for both domestic and foreign consumption. The bigger the output the cheaper the production and the greater the profit. Some goods are sold for less on a foreign market than they could bring in their home town. Most goods sell for as much. The export trade determines the character of the really big industry. Canada before the war had several big export industries. She has most of them still. War has boosted some; diminished others. But it was the market of export that determined the size and character of the industry. The manufacturer found it profitable to export his goods or he would have refused to export. Government finds it profitable for a country to export its goods because the more money paid by foreign consumers for goods made in Canada the better for exchange.

CANADA, a new country, is a borrowing nation. We need foreign capital. Our development would have been impossible without it. But capital will and flow to a country which merely takes the money and salts it away in local improvements. Capital goes to the country which is making the most of developing its resources. Export trade is the sure commercial test of national strength. A nation which imports money and does not export goods commensurate with the money imported, must soon look elsewhere for its money imports. Its dollar will decline on the exchange. A nation with a declining dollar does not attract foreign capital.

ONCE we had a National Policy. It was considered wise by the framers of the N. P. that Canada should develop strong native industries which in time should become export industries. Hence the protective tariff. Hence political war, the big industry, the export trade. There was no clear division into essential and non-essential industries. Canada, said the N. P. experts, must emerge from farmerhood and lumbering and fishing into an industrial nation; producing as much as possible of its own goods for local consumption, thus keeping our own money as far as possible at home; producing as much as possible for export trade, thereby getting as much of other people's money as possible.

BUT no protective tariff could ever build up export industries big enough to make us self-sustaining. We are a young country, importing people, goods, money in order to develop our unexploited raw materials and our vast tracts of arable land. Our imports of such people, goods and money are

THE war has circulated millions of dollars in wages dividends and investments, mainly from a small cycle of big war-essential industries. Munitions, aeroplanes, iron and steel, nickel, timber, explosives, textiles, woollens, leather and rubber goods, bacon, beef, wheat and oats all at high prices have created war prosperity. One of these days there will be a change. Industries essential in war will not be so essential in peace. What is Industrial Reconstruction going to do about it?

By THE EDITOR

THE object of protection was to get money for revenue, to build up industries and to develop the nation in the markets of the world. How far it succeeded is for the political experts to say, and they never agree. The National Policy did not specify essential industries. The framer of the N. P. did not know what were the essential industries of Canada. The politicians who succeeded them did not know. The manufacturers did not know. The people do not know. Then along came the war and decided the case. Certain industries were non-essential because there was a limited supply of labor, because imported money was hard to get, because war was levying on capital, on raw material and labor, and was essentializing our industries.

BUT the Government and the War Trade Board have never decided what are our non-essential industries. They only watched to see where the money went. Because war money and war labor and war material went to certain groups of industries, these were considered essential, and by elimination others were regarded as less essential. Which is where we are to-day when all the arguments about protection and free trade and fair trade and preference do not fit the case. We have a national debt such as no man ever dreamed. We have foreign obligations of a calibre beyond the computation of all our experts of 1878 and after. Where shall we get the money to meet them?

HERE we begin to get a glimmer of light. The industries which can be maintained or built up on an export basis sufficient to meet the demands imposed by our foreign obligations are the essential industries of the future. These must be determined, not by tradition, not by arguments about protection or free trade, not by Government revenue considerations for current expenditure, but by the needs of revenue for the purpose of meeting our obligations on the world's exchange. Whatever is done to industrially reconstruct this country must, we take it, be done with this main purpose in view. All tariffs, bonuses and preferences must be considered with reference to this. We shall not become either a high tariff or a low tariff nation as a matter of politics either domestic or Imperial. We shall adjust our tariffs whether high on this or low on that for the purpose of meeting our national obligations.

BUT what about England? asks somebody. England, a free-trade nation, has always imported more than her exports, yet the pound sterling has always held its own on foreign exchanges. The answer is—England is a lending nation. She has capital invested all over the world. England exports money and can afford to have a balance of trade against her in the export of goods. Canada is a borrowing country. On general principles we can't afford to export money at all except as we can borrow it from one country at a lower rate than we lend it to or invest it in, another.

THE industries from which we expect to get the money for exports must be those which are capable of yielding most returns according to the capital invested and the cost of operation. These are the industries which from a standpoint of national debt and credit should be encouraged by the tariff. These are the industries from which the handicap of a high tariff on raw or semi-raw materials should be removed. This is no argument in favor of capitalistic individuals. The profits from such industries should be managed as rigorously as the tariffs. Profits can never become excessive if they are used to lessen the burden of government expenditure.

an investment for the sake of future returns. We cannot expect in our time at least, to export enough goods to offset our imports of other goods and of foreign capital. Before the war we were importing more goods than we exported, and importing money for development purposes. Owing to the gigantic impact of the munitions and allied industries and the phenomenal rise in price of our foodstuffs, we have been for the past two years exporting immensely more goods than our imports, and we have also decreased our imports of both people and money. But with the stoppage of war and its industries—what?