

# Monetary Times

Trade Review and Insurance Chronicle  
of Canada

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One Year	Six Months	Three Months	Single Copy
\$3.00	\$1.75	\$1.00	10 Cents

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The Monetary Times was established in 1867, the year of Confederation. It absorbed in 1869 The Intercolonial Journal of Commerce, of Montreal; in 1870 The Trade Review, of Montreal; and the Toronto Journal of Commerce.

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## INDUSTRIAL CONDITIONS AND INTERNATIONAL COMPETITION

THE introduction of material betterments in the conditions of industry in any country is limited by those of the same industry in other countries. This is especially true of the great basic industries such as agriculture, the iron and steel industry, and many branches of manufacturing. Where the market for a product, as is the case with these industries, is world wide in extent, a slightly lower cost of production in one country will give it distinct advantages in the struggle for expansion.

Substantial differences now exist in industrial conditions among several countries which are competing for control of foreign trade. In the English speaking countries the hours of labor are longer, and wage scales higher, even in proportion to the cost of living, than in Japan, China, Russia and most of the South American countries. This has been the case for a long time past, but was more than offset by greater efficiency in production, with the result that they have outstripped other countries in securing international trade. The United States has taken the lead in this direction; in Great Britain, which did not adopt new and more efficient methods quite so readily, hours of work were longer and the wage scale lower. Germany accomplished much by a ready application of science, a still lower standard of living, and the governmental support of industry by means of revenue derived from its citizens in other ways.

The past few years have introduced new factors into this situation. Modern methods have been adopted by countries which still retain the old conditions of industry. This combination results in a serious handicap to those which have cultivated a high standard. Then on top of this comes an entirely new program of labor in Great Britain and America, which demands higher rewards without offering in return a corresponding increase in efficiency. The result is new costs of production which preclude successful competition outside the tariff wall, and even some loss of business within it. The withdrawal of capital, unemployment, and a high cost of living follow. As a concrete example of this phenomena, imports into Canada of Japanese goods, mostly manufactures, have increased from \$8,469,255 in April,

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1917, to \$13,254,724 in April, 1919. This increase has taken place in spite of the substantial tariff protection afforded to domestic industries, an Imperial preference to British industries, and greater proximity of those of the United States.

With nations as with individuals there is a process of evolution which eliminates those which cannot offer a sufficiently attractive bargain. It is perhaps fortunate that there are now actively in the field countries which have preserved a comparatively low standard, for their competition sets a limit to the pursuit of gross material betterments with much the "leading" countries are occupied. Until we are prepared to submit to sterner tests of ability the field of foreign trade is practically closed.

Referring to competition of these countries, A. E. Middleton Hope, C.A., writing in the Canadian Chartered Accountant, says: "The growth of industry in these countries on a large scale, with their teeming millions, working long hours and at ridiculously low wages, would enable their manufactures to be imported into the more advanced countries at prices much below the cost of manufacture in the latter unless a very high tariff were imposed against them, and the present mind of the masses in these countries is directly opposed to the imposition of tariffs high enough to prevent the import of goods when obtainable at much lower figures from outside. In consequence, any improvement in the standard at present enjoyed by the more advanced countries is limited by the opening up of the countries of the east and their low standards. The only hope, then for maintaining the standard already attained by the more advanced nations is the raising of the standard in the backward nations. It might be truly said that the progress of civilization is being retarded by the slow development of these ignorant peoples."

The ability of a government to improve conditions is, on the other hand, strictly limited. In fact, most cases of state interference have resulted in more harm than good. Dealing with this point, the above mentioned writer says:—

"It is essential to recognize the limitations of state control of the machinery of production; and, because of the growing international status of capital, legislation designed to restrict and unduly control capital would cause capital to seek unfettered investment elsewhere. The fundamental requirements of any better relation is that labor shall become efficient or it cannot receive more than it is now getting. Capital must go on accumulating in order to pro-