

THE EVENING TIMES AND STAR, ST. JOHN, N. B., THURSDAY, SEPTEMBER 16, 1920

# Why Canada Needs a Protective Tariff

## A FEW REASONS

Why Canada should retain the present fiscal policy of adequate protection for Canadian agriculture, industry, labor and business.

1. Canada has shown wonderful growth in agriculture, manufacturing, forest production, mineral production, transportation, banking, insurance, and other business since the adoption in 1878 of the National Policy of adequate protection for all classes.
2. Because Canada was strong in all departments of national activity, she made a great record in the war.
3. Since the war practically all civilized countries have retained or increased their protective tariffs.
4. Over 2,000,000 Canadians are supported by wages paid by Canadian factories.
5. Over 80 per cent. of all the produce of Canadian farms is consumed in Canada.
6. The tariff has caused over 600 branches of United States factories to locate in Canada.
7. The tariff provides a great portion of the revenue of the Dominion Government.
8. The present tariff of Canada is very moderate; the average rate of duty on all dutiable imports is 22 1/2 per cent.; the average rate of duty on all imports, free and dutiable, is only 14 2/3 per cent.
9. Canadian products should not be exported in the raw state but should be manufactured in Canada in order to create business, provide employment and add to the national wealth.
10. Canada has maintained a protective tariff for 42 years. The United States, our greatest competitor, has maintained a protective tariff for 131 years. Their manufacturers have a home market of 105 million people. Our manufacturers have a home market of about 8 million people. Last year each inhabitant of the United States bought, on the average, \$4.41 worth of Canadian goods, while each Canadian, on the average, bought \$100.26 worth of United States goods. United States purchases from Canada were largely raw materials. Canadian purchases from the United States were largely manufactured goods. Is it surprising that the rate of exchange is against Canada and that our dollar is at a heavy discount in the United States? This is the situation with a Canadian tariff. What would it be if the tariff were removed? Remove the tariff, and in the words of ex-President Taft, Canada will become "an adjunct of the United States."
11. The destiny of Canada is a fully developed nation within the British Empire.

have shown the following great increase in values under the National Policy:

### FOREST PRODUCTION.

Year	Log Products and Wood Pulp
1881	\$ 29,544,570
1919	\$ 140,881,584

### MINERAL PRODUCTION.

Year	Value
1889	\$ 14,018,118
1919	\$ 173,075,918

### FISHERY PRODUCTION.

Year	Value
1879	\$ 18,529,254
1919	\$ 60,248,429

### CHARTERED BANKS.

Year	Value
1888	\$ 79,215,565
1919	\$ 138,912,111

### Public Bank Deposits.

Year	Value
1878	\$ 71,900,195
1919	\$ 1,941,478,895

### AMOUNT OF FIRE INSURANCE POLICIES IN FORCE.

Year	Amount
1878	\$ 84,751,937
1919	\$ 1,847,833,596

### AMOUNT OF FIRE INSURANCE POLICIES IN FORCE.

Year	Amount
1878	\$ 409,899,701
1919	\$ 4,904,396,461

### Since 1878 the composition of our population has changed.

The great majority of the people were engaged in farming, lumbering and fishing. There was comparatively little business activity and those who could not be employed in these industries were forced to emigrate, with the result that some millions of Canadians are living in the United States today.

Canada if opportunities for employment had been available. After 1878 the industrial system of Canada began to develop and today it directly supports 2,000,000 Canadians, and in addition, yields indirect opportunities to several millions more.

### Transportation.

In 1878, the year after the adoption of the National Policy, there were only 6,484 miles of steam railways in Canada. A glance at the following table will show the increase in the mileage, in the amount of freight carried, and gross earnings:

Miles in operation	1878	1889	1919
Tons of freight	1,174,464	12,628	74,441
Gross earnings	\$3,340,310	\$17,925,626	\$121,211,753

The railways opposed the reciprocity agreement in 1911 with the United States on the ground that such an agreement would build up north and south traffic at the expense of east and west traffic, and would depreciate the value of the huge investments in our trans-continental lines.

This is even a more important question than it was in 1911, because the Government now owns two out of the three transcontinental railways, and will have to pay deficits out of general taxation.

The organization of the Canadian Government Merchant Marine makes a new period in the history of the country's development. The first vessel was commenced in May, 1919, and by the end of the year, twenty-two ships ordered by the Government were completed. It is expected that by the end of 1920, sixty ships will be in commission. These ships were built in Canadian shipyards, largely from Canadian material, and by Canadian workmen. The outfitting of these vessels is done in Canadian ports and with Canadian goods. They are manned chiefly by Canadian seamen, and are now carrying Canadian cargo abroad.

### British and Foreign Capital Invested in Canada.

One of the most remarkable developments attributable directly to the adoption of the National Policy is the growth of British and foreign capital invested in Canada.

Year	Total Trade
1870	\$ 149,489,188
1920	\$ 2,981,174,886

Agricultural production in Canada has flourished as the following statistics indicate:

Year	Field Crops	Other Farm Produce	Total Production
1900	\$ 194,953,420	\$ 169,953,445	\$ 364,906,866
1919	\$ 1,452,487,000	\$ 254,403,000	\$ 1,706,890,000

The national output of wheat has grown as follows:

Year	Bushels
1870	16,782,873
1919	199,260,400

Manufacturing has shown a similar advance.

### MANUFACTURING INDUSTRIES.

Year	Capital Invested	Employees	Value of Products
1881	\$ 165,302,623	254,985	\$ 309,476,068
1917	\$ 2,786,649,727	692,067	\$ 3,015,377,940

The products of the forests, of the mines and of the fisheries and the volume of banking and insurance business

time there are over 600 branches of United States' factories in Canada, employing about 87,000 people and representing invested capital of about \$400,000,000. While a few of these concerns might have come to Canada if there had been free trade, it is an absolute fact that the great majority came to Canada because the Canadian Customs Tariff stood as a partial barrier to the importation of products manufactured by the United States' branches, as against the products of the Dominion of Canada. Although the number of branches of British factories established in Canada is small in comparison with the number of United States' branches, as against the products of the Dominion of Canada, this, according to Sir George Paish's estimate in 1911, the sum of \$1,840,000,000 of British and Dominion capital was invested in Canada at that time, a considerable proportion of which was invested in manufacturing enterprises.

### Growth of Canadian Agriculture.

The Canada Year Book of 1918, published by the Dominion Bureau of Statistics, and the Dominion Department of Agriculture, contains statistics in regard to Canadian agriculture. On page 219 of this volume, the following extract appears:

"If to the estimated value of agricultural production in 1917, viz., \$1,621,828,000, be added for land, \$2,792,229,000, for buildings, \$227,548,000, for implements, \$387,079,000, and for live stock, \$1,102,261,000, the total estimated agricultural wealth of the Dominion of Canada for 1917 amounts to \$8,330,145,000."

That was Canada's agricultural capital in 1917.

Realizing the importance of agriculture, the Dominion and provincial governments have given special attention and substantial financial assistance to this basic industry.

Of recent years the money appropriated for railway extension has been spent almost entirely on the construction of providing better facilities for the agricultural communities, and possibly no commodity carried by the railways of Canada enjoys a better rate than farm products.

All these measures are sound, and consistent with the doctrine of protection, because they are designed to stimulate and safeguard the great basic industry of agriculture.

### Replies to Free Trade Arguments.

Free trade arguments are being used today as the spear head of the attack against the protective system in Canada.

It may be that many who use the free trade arguments do not believe in them, and are merely trying to create a diversion from which they may profit. But, since these free trade arguments are being used to attack the National Policy, it is necessary to show why they cannot be applied profitably to Canada.

One of the chief free trade arguments is to belittle the value of the home market, especially to farmers. It is stated that Canadian farmers sell their products in an open market where the prices are fixed by international competition, and that they buy what they need in Canada, which is described as a closed market. For 1919 the gross value of the agricultural production of Canada has been officially estimated at \$1,975,841,000. During the same year, exports of unmanufactured farm products were valued at approximately \$103,000,000, or if butter and cheese be included, at a little over \$361,000,000. In other words, only between sixteen and 18.5 per cent. of all the produce of Canadian farms was exported in the unmanufactured state while between 81.5 and 84 per cent. was marketed in Canada.

The home market under normal conditions is a constant market. In a country where the population is steadily increasing it is a growing market. The foreign market is open and is an uncertain market. It may be lost entirely through legislation or economic causes. It is natural that the argument about selling in foreign markets and buying in protected markets should be most strongly urged in Western Canada, where grain is grown for export. But the conditions of agriculture are changing very rapidly in Western Canada. Not so many years ago wheat was the principal source of farm revenue in Ontario. What is the case now? Figures for the year 1917 show that wheat constituted 5 per cent. of the total value of the farm produce of Ontario.

Roughly speaking, a new country starts growing wheat and gradually develops into mixed farming, and the

progress of the Prairie Provinces away from the wheat growing stage to the mixed farming stage has already reached extensive proportions.

The increase in farm live stock between 1911 and 1916 in the Prairie Provinces is set forth in Table 18, page 195 of the Canada Year Book, 1918.

Prairie Provinces	Increase per cent.
Horses	54
Milk Cows	60
Other Cattle	47
Total Cattle	58
Sheep	78
Swine	91
Poultry	28

The growth of industry in Manitoba, Saskatchewan, and Alberta is also extraordinary. In 1909 the value of goods manufactured in these three provinces was a negligible quantity. For the present year a very conservative estimate would place the value of the goods manufactured in the three Prairie Provinces at \$800,000,000. In 1900 there was not a single member of the Ontario Manufacturers' Association located west of the Great Lakes. At the present time there are seven hundred—five hundred of these in the Provinces of Manitoba, Saskatchewan and Alberta. In fact Western Canada is becoming rapidly industrialized—the industries which have made the greatest strides being milling, building, steel and iron, clothing, textiles, and paper.

The Canadian home market that absorbs farm produce is the population of cities, towns and villages. Analyze the population of the United States, and you find that a considerable part of the population is engaged in agriculture. Manufacturing is the life blood of wholesale and retail trade, transportation, commercial practice, and commercial enterprises. Business clusters around the factory. Close or restrict the factory and business dwindles and the home market decays.

Another free trade argument is that under the protective system industry is developed at the expense of agriculture. Taking the Canada Year Book's estimate of the agricultural capital of Canada in 1917 of \$8,330,145,000, and dividing this sum by the number of farms in Canada, given by Government statistics as 780,000, we find that the average capital per farm was \$9,856. Moreover, our industrial development has not caused any undue depopulation of the rural areas. In 1911 the rural population of Canada was 54.47 per cent. of the total population. This is a marked contrast to Great Britain, where the rural population was 49.8 per cent. of the whole when free trade was adopted in 1846 and had fallen to 21.9 per cent. in 1918.

It is also argued that as Canadian manufacturers during the war produced munitions which compared favorably with those produced by other countries, they do not need protection now. This argument ignores the extraordinary conditions governing the munition industry. The work was done to standard specifications. No selling force was required; because the market took all the supply. More important still, Canadian manufacturers secured the opportunity to manufacture in large quantities. That is the pressing need today, and the home market is necessary to supply it.

It is also argued that protection causes combined.

Proper trade organizations produce greater efficiency, better quality and lower prices. Improper organizations can be prosecuted under existing laws. In any case, industrial combination has not reached undue proportions to date in Canada. The census places the number of manufacturing establishments at about 85,000 although this includes concerns which can scarcely be called factories. As the number of factory employees is increasing, the number of concerns is increasing. The number of employees per industrial establishment in Canada is about twenty.

A more serious charge is that Canadian manufacturers are being driven out of the market by the tariff, for example, by selling freight and duty to selling price of competing products in fixing their own selling prices. We do not defend such practice, but we submit that specific charges should be made against the tariff, and that the tariff should be adjusted against all manufacturers, or against the protective system.

We beg to draw attention to an unfair method of attacking manufacturers, and through them, the protective system. A few manufacturers who have enjoyed marked prosperity are singled out. They are attacked in a sensational

manner in the press and on the platform. Their profits for particularly successful years are advertised. Their financial statements are analyzed unfairly. No attempt is made to average the lean years with the good years. No tribute is admitted to efficiency, economical management, or unusual business ability. These outstanding examples of prosperity are held up to the public as a general condition of entire industries.

This method of argument is as unfair as it would be to hold up some phenomenal case of profitable farming, or a lucky strike in mining, as an example of how agriculture or mining pays generally.

A recent survey of the shoe manufacturing industry shows, first, that a very considerable number of firms have tried to succeed in this industry but have become bankrupt, and second, that the average return on the capital invested in the shoe industry was 5.29 per cent. per annum. Dun's estimate of failures of Canadian manufacturing firms for the years indicated are as follows:

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admitted to efficiency, econo- subservient

This is the other side of the story. For the year ending March 31st, 1921, the Minister of Finance, in his budget speech, estimated that Canada's balance sheet will be:

Estimated expenditure (including capital outlays)	Estimated revenue	Estimated deficit
\$549,649,428	\$81,000,000	\$108,649,428

Adopt free trade, lose the customs revenue, which he estimated at \$167,000,000, and the deficit will be \$335,649,428.

Those who would abolish the Canadian customs tariff and thus lose the revenue which it produces, suggest that this revenue should be replaced by the imposition of the following taxes—a direct tax on unimproved land values and natural resources, increased taxation on personal incomes, increased inheritance taxes, and increased taxation on corporations. As to taxing unearned increment as such, no objection is offered, but it must be remembered that vacant land now pays taxes to the municipalities and in some provinces additional taxes to the provincial government. In fact, much vacant land has been given up by the owners in preference to paying the taxes now imposed. Income taxes are now paid by individuals to the municipalities and also the Dominion Government. Inheritance taxes are now imposed by all the provinces. Corporations are taxed as persons by municipal governments, provincial governments and the Dominion Government. It is submitted that the suggested forms of direct taxation, while capable of some extension, are not a step in one year the huge sum of \$335,000,000 (or almost the present entire revenue of Canada).

The fact that the per capita amount of revenue raised by the tariff is greater in Canada than in the United States is often used as an argument against the Canadian tariff is too high. The explanation of the fact is simple. The United States imposes a high tariff on imports which compete with domestic products. But, because the United States has built up home industry by constantly adhering to the protective principle for 181 years, comparatively little is imported. Consequently, the amount of duty collected is smaller per capita than in Canada, not because the United States duties are lower, but because the volume of imports is comparatively much smaller.

### United States Competition.

The United States, with a population of 105,000,000, buys from this country of 8,000,000 people only about one-half the value of the goods which it sells us. Our exports to the United States and imports from the United States for various years since 1907 follow:

Value of Imports from United States.	Amount.
1907 (9 mos.)	\$155,943,029
1912	\$36,354,478
1917	\$77,631,616
1920	\$80,096,817

### Value of Exports to United States.

Fiscal Year.	Amount.
1907 (9 mos.)	\$ 79,021,480
1912	120,534,634
1917	486,870,890
1920	464,029,273

Last year each inhabitant of the United States bought \$4.41 worth of Canadian goods, while each Canadian bought \$100.26 worth of United States goods. Significant also is the fact that our purchases from the United States were largely in manufactured goods while their purchases from Canada were chiefly raw material. It is not surprising that the rate of exchange is against Canada and that our money is at a heavy discount in the United States. This is the situation with a Canadian tariff. What would it be if the tariff were abolished? Canada, in competing with the United States, operates at present under certain disadvantages which may be summarized as follows:

1. The United States has maintained a protective tariff for 131 years; Canada for forty-two years.

2. The United States has a more highly organized industrial system, supported by immense wealth.

3. The United States manufacturers are guaranteed their home market of 105,000,000 people, guaranteeing a large output and specialization. The Canadian manufacturer's home market has already been seriously invaded.

4. The United States has comparatively a greater labor supply.

5. The Customs regulations of the United States discourage Canadian imports while the Customs regulations of Canada encourage United States imports.

Briefly, we cannot manufacture extensively in Canada at the present age and stage of our industries, unless these industries are given protection against the industries of the United States. We have two choices. We can abolish our tariff and allow the United States to manufacture for us, while we produce raw materials for them, or we can persevere in our determination that Canada shall continue to develop as a manufacturing country as well as an agricultural country. In Europe there is a well-known phrase "peaceful penetration." Trans-

lated, this means the domination of a small country by a big country. The small country, it is true, often keeps the forms of national independence after freedom has departed, and remains bound in fetters of financial and commercial subservience.

During the reciprocity campaign of 1911, ex-President Taft and the late ex-President Roosevelt were agreed that reciprocity would be a good thing for the United States. They wrote confidential letters to each other on the subject; then came the quarrel over the nomination for the Presidency and the correspondence was published. Ex-President Taft on the 25th of April, 1912, at Boston, Mass.

In a letter from ex-President Taft to the late ex-President Roosevelt, the following extract occurs:

"The amount of Canadian products we would take would produce a current of business between Western Canada and the United States that would make Canada only an adjunct of the United States. It is not business to Chicago and New York, with their bank credits and everything else, and it would increase greatly the demand of Canada for our manufactures. I see this is the argument made against reciprocity in Canada, and I think it is a good one."

In his reply, the late Ex-President Roosevelt stated:

"It seems to me what you propose to do with Canada is admirable for every standpoint. I firmly believe in free trade with Canada for both economic and political reasons."

Those who do not believe Canadians when they point out the dangers that free trade or a lowering of the tariff would bring to Canada, will perhaps believe such men as Ex-President Taft and the late Ex-President Roosevelt.

The above references to the United States are made in a friendly spirit. A certain amount of trade between the two countries is necessary and desirable. But the people of the United States will appreciate the natural desire of Canadians to promote their own national development, while maintaining with the United States the most cordial relations.

### Conservation.

There are two courses we can pursue in regard to our natural resources. We can plunder these resources and ship the raw or partly finished products to other countries, or we can conserve them, to manufacture in Canada not only the preliminary processes, but also the succeeding processes and export the products in a finished state. Under the first plan, for example, we would export our timber, ore, and minerals. Under the second plan we would manufacture them into highly finished products for domestic and foreign consumption. The first plan would exhaust the resources of the country, while the second plan would conserve them, and would carry these processes of manufacturing to the highest stage here, providing employment and creating a new first plan is free trade. The second plan is protection.

### Preferential Tariffs Within the British Empire.

On the whole, prospects seem bright for the general extension of British preferential tariff systems to other British countries. Such an arrangement amongst British Overseas Dominions would correspond with the policy followed between the United States and the seas countries, including Cuba. A similar policy is followed toward their respective possessions in France, Italy, and was followed by Germany.

### Canadian Factories in the War.

Shortly after the beginning of the war the Canadian factory system was practically put on a war basis, and munition making was organized. How Canadian factories succeeded in this task is illustrated by the following statement from the report issued by the War Cabinet and presented to the Imperial Government: "The manufacturing resources in Canada have been mobilized for war production almost as completely as those of the British Isles." Munition work was done chiefly under the control of the Imperial Munitions Board—which placed orders in Canada amounting to \$1,200,000,000. At the peak of the war, between 250,000 and 275,000 workers were employed in making munitions including shells, parts, 64 wooden ships, 44 steel ships and 3,000 aeroplanes. At the same time Canadian factories largely supplied the Canadian people at home and the Canadian army abroad. About half the Canadian army came from the factories and half returned to the factories on demobilization. If we had not built up a factory system and allied business, if our manufacturing and business had been done for us largely by other countries, then Canada could not have sent as many men to the war, could not have supplied shells, ships and aeroplanes, could not have given financial aid, and could not have absorbed her demobilized soldiers.

### Conclusion.

In the course of this statement an effort has been made to show that manufacturing in Canada is inseparably connected with other industries of the million wage earners and dependents secure their living through manufacturing, and that the most of the remainder of the population derive indirect benefits; that his country as a whole has made remarkable progress under the National Policy of protection; that, with the entire world swinging towards protection, Canada cannot relinquish it; that the revision of the tariff should be scientific and take into consideration the requirements of all classes, that a stable fiscal policy of protection with some assurance of permanence is a vital need; and, finally, that the aim of the fiscal policy determined as a result of this enquiry should be to advance Canada towards her destiny as a fully developed nation within the British Empire.