

Protection vs. Free Trade

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In this Article, Written by a Manitoba Farmer, the effects of Protective Tariffs upon the Profits of the Farmer and the Wages of the Working Man are Discussed in terms easily understood by everyone. Mr. Watkins has long been a student of trade questions, and his views are worthy of earnest consideration

What is trade? Stripped of all technical or hard-to-understand words and phrases, trade simply means exchanging or buying and selling one commodity for another commodity to the advantage of both persons concerned. If the advantage were not mutual there would be no trade. It takes two individuals to trade, a buyer and a seller, so it is with nations. When one nation has a commodity it doesn't need it has to find a nation which does need it and try to exchange for another commodity it does need.

The chief reason for trading with one another is that farmers can exchange their commodities which they are adapted to raise owing to their having the necessary land experience, etc., for the commodities of the mechanics, such as implements, groceries, clothes, etc., which they are adapted to raise or make owing to their having the necessary tools, experience, etc. It is self-evident that farmers can raise grain, etc., better and cheaper than the mechanics, and the mechanics can make implements, clothes, etc., better and cheaper than the farmers. As with individuals so with nations. One nation is better adapted for raising or making one commodity, while another nation is better adapted for raising or making another commodity. For instance, farmers in Canada can raise wheat, oats and barley, but cannot raise cotton, tea, rice or bananas, whereas there are other parts of the world where they can raise cotton, tea, rice and bananas, but not wheat, oats and barley. Now, would it not be the height of folly for us not to trade our wheat, etc., for their cotton, tea, etc., as we do now?

Imports and Exports

We use money as a small, handy commodity to make the trade easier, but nations as well as individuals actually pay their debts in commodities, and although protectionist advocates make the claim that a nation's prosperity is shown when its exports exceed its imports, the opposite is really true.

I believe the Hudson's Bay Co. still trade with the Indians in the north without the aid of money by exchanging rifles, blankets and so forth for furs. When the Hudson's Bay Co. load up their vessel in England with rifles and blankets, these articles are called exports, and when the vessel returns with the furs, these furs are called imports. Now, it is obvious the Hudson's Bay Co. make a profit, so that the value of the furs they have brought back, which are called imports, is greater than the value of the rifles they took away, which are called exports. Is not the nation richer by this trade? Has the nation not a greater value in the imported furs than it had in the exported rifles? Yet people very often point to the figures published by the government of the imports and exports and say that because the nation imports more than it exports it must be going down. It is obvious, however, that the nation that exports a bigger value of commodities than it imports must be getting poorer, as commodities sent out of the nation and not replaced must leave the nation poorer. Transportation plays a tremendous part in increasing the trade of one part of the world with another. Transportation is as much a part of trade as the

actual producing of commodities. It takes commodities from where they are cheap to where they are dear, and anything that hampers or makes transportation dearer must be a loss to the nation. Protective duties are designed to discourage or prevent imports, and since imports are paid for with exports they also discourage and prevent exports. Their effect on trade is the same as an increase on transportation charges and they result in a loss to both parties to the trade.

The great aim and object of protection is supposed to be to make us and keep us a perfectly independent, self-sustaining nation, or a nation that makes or produces all it consumes in the nation and does not import anything at all. This is the ideal or perfect condition aimed at by protection.

"Keep the money at home," our protectionist friends say. But if we kept all the money at home and never exchanged any of it for foreign commodities, does it not seem probable that the foreigner would ultimately quit exchanging his money for our wheat, etc.? In order for him to get money to exchange for our wheat, he must exchange some of his other commodities for money and if after exchanging his commodities into money somewhere else (as we won't buy his commodities), he also buys his wheat where he has exchanged his other commodities and quits buying our surplus wheat, flour, etc., what are we to do with it? Use it at home, say our protectionist friends. How is that possible when we have such a big surplus now and expect a far bigger in the near future? "Build up home industries," say our protectionist friends, but build them up as you will, it would take generations for consumption of wheat in Canada to catch up to production.

The Logical Conclusion

If it is not right for nations to trade it surely cannot be for provinces. Why should the Western provinces, for instance, not build their own home industries and try to be perfectly independent of the Eastern provinces? or why should not Manitoba and Saskatchewan have a tariff against one another? Why should a Manitoba farmer have to compete with a Saskatchewan farmer or vice versa? Why should the Western harness maker,

for instance, have to compete with the Eastern? or why should the village harness maker have to compete with the big city departmental store? If protection is right surely the local man should be protected against all comers, not as it is at present when the big concerns form a merger and crush out the little men.

Then if "Canada for the Canadians" is right why are not Manitoba for the Manitobans, Winnipeg for the Winnipeggers, Brandon for the Brandonites and each village for its own villagers also true? In fact, why should a farmer ever buy or sell off his own farm?

Robinson Crusoe on his desert island was the only man who ever did or could carry perfect all round protection to its logical conclusion. He never imported anything, neither did he export anything. His consumption and production were kept evenly balanced.

I have traced protection on the lines of "Canada for the Canadians," "Patronize home industries" and "Keep the money at home," etc., to a logical conclusion and find they end in an impossibility.

Now, let us look at some of the excuses used to induce us to still keep on aiming to reach the impossible, which if we stick to a protective policy should be perfect all round protection, no favor to one class more than another.

Cannot Protect Labor

Protectionists say it is unfair to expect our mechanics, etc., to compete with "cheap labor," sometimes called "pauper labor," of other nations. As England is the only free trade nation of any size it must be English labor they mean, because if they meant labor in other countries that are protected some might possibly argue that their low wages were due to protection. If we argue that the supposed low wages in England are due to free trade we must also argue that the lower wages in Germany are due to protection, but neither argument would be correct.

However, the question of wages in free trade England and protectionist Canada is a very debatable one and a very hard one to decide. Some claim they are lower in England, others claim they are not. We all know that the spending power of the dollar, as it is called, is

a tremendous factor in determining the value of wages. It is a very open question if the lower money wages in England are not more than offset by the extra spending power of the dollar in England. Bread, sugar and most groceries are cheaper in England, clothes are cheaper, rent is cheaper, coal is cheaper and a good many other things are cheaper, very few being dearer. If you can purchase as much say for 50 cents in England as you can in Canada for a dollar, it is evident that the man who gets a dollar a day in England is just as well off as the man who gets two dollars a day in Canada.

Cheap labor is generally poor labor, it takes more men in countries where labor is cheap to accomplish as much as where labor is better paid, for which reason the farmers in Canada can and do compete successfully with the cheapest labor in the world, namely, the natives of India, in raising wheat. Protection does not raise wages, it cannot, neither is it its aim and purpose; protection's aim and object is to keep out foreign commodities. The factory hand does not sell commodities, he sells his labor. The only way to protect him is to keep out foreigners, the foreign laborers not the goods. Allowing the cheap men to come into the country is what lowers wages.

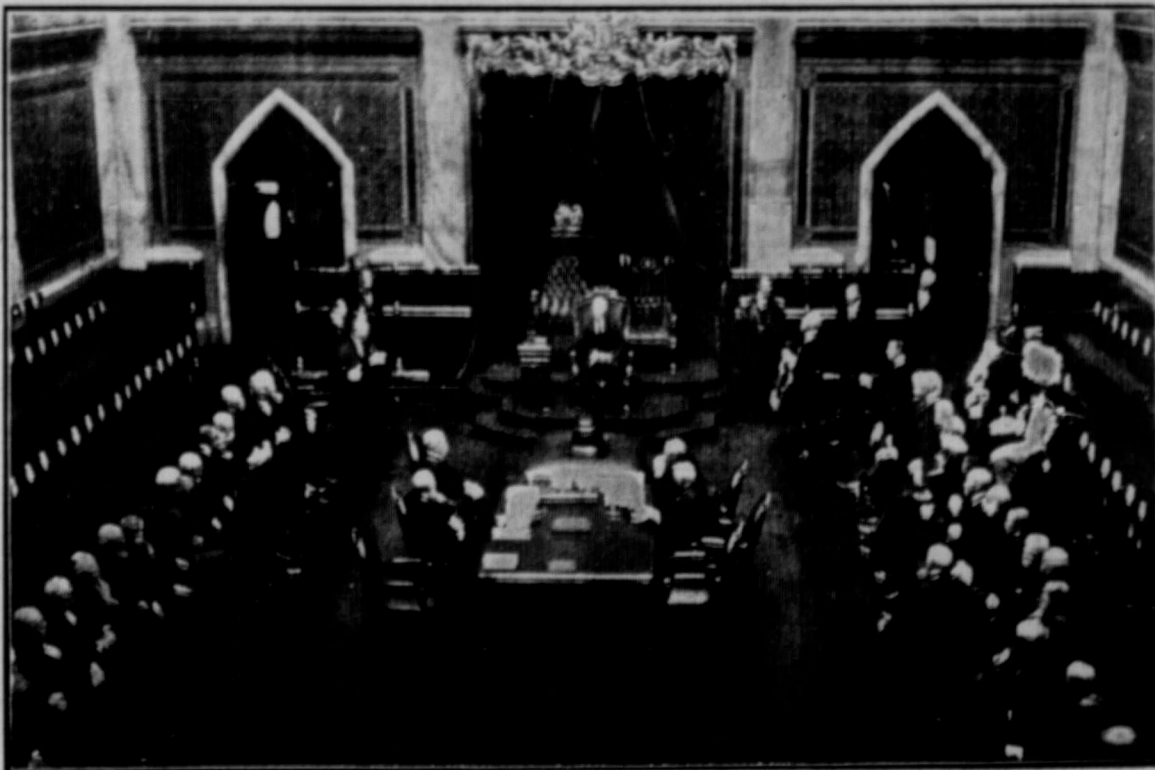
The Home Market

"Build up the home market," they say. We have been building up or trying to build up a home market in Eastern Canada. Are the farmers in Eastern Canada any more prosperous than the farmers in Western Canada where there is practically no home market? I think not, and if they are not more prosperous does it not look as though we have been building on sand, not on solid rock. This home market, to be consistent with a perfect all round protection, must absorb all the farmers produce, as so long as farmers have a surplus over and above home consumption they must sell the surplus in competition with the rest of the world and they cannot get any higher price for their produce in the home market than the foreigner pays, as the price for wheat, cattle, etc., is set in Europe by the law of supply and demand and the farmers' home price is based on this European price.

Raising the Revenue

We must raise the revenue, they say. Of course we must, but we need not have protection in order to raise a revenue. Investigation shows conclusively that a customs tariff is a most expensive method of collecting revenue. It costs so much to collect that after all the expenses of collection are paid there is very little left, which means that you must levy heavier in order to get the desired revenue. Under direct taxation you could collect a bigger revenue at a far less expense. By the way, when airships are nearer perfection how is any government to stop foreign commodities from coming in? Roof the country over, maybe. Again, if protection is carried to its logical conclusion the government would not be able to raise a cent by the tariff as when imports have ceased, which is what protection aims to bring about, there would be no imports to tax, you would have to adopt direct taxation. While this protection scheme is only half or maybe one quarter developed,

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