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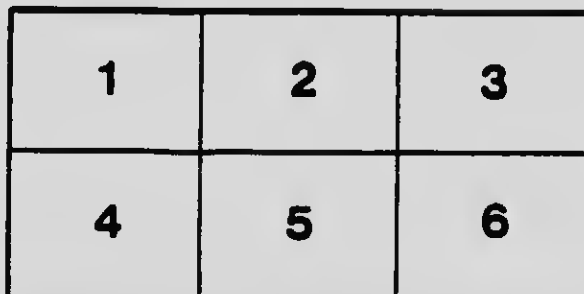
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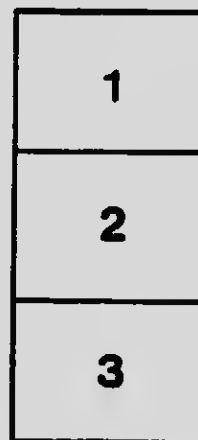
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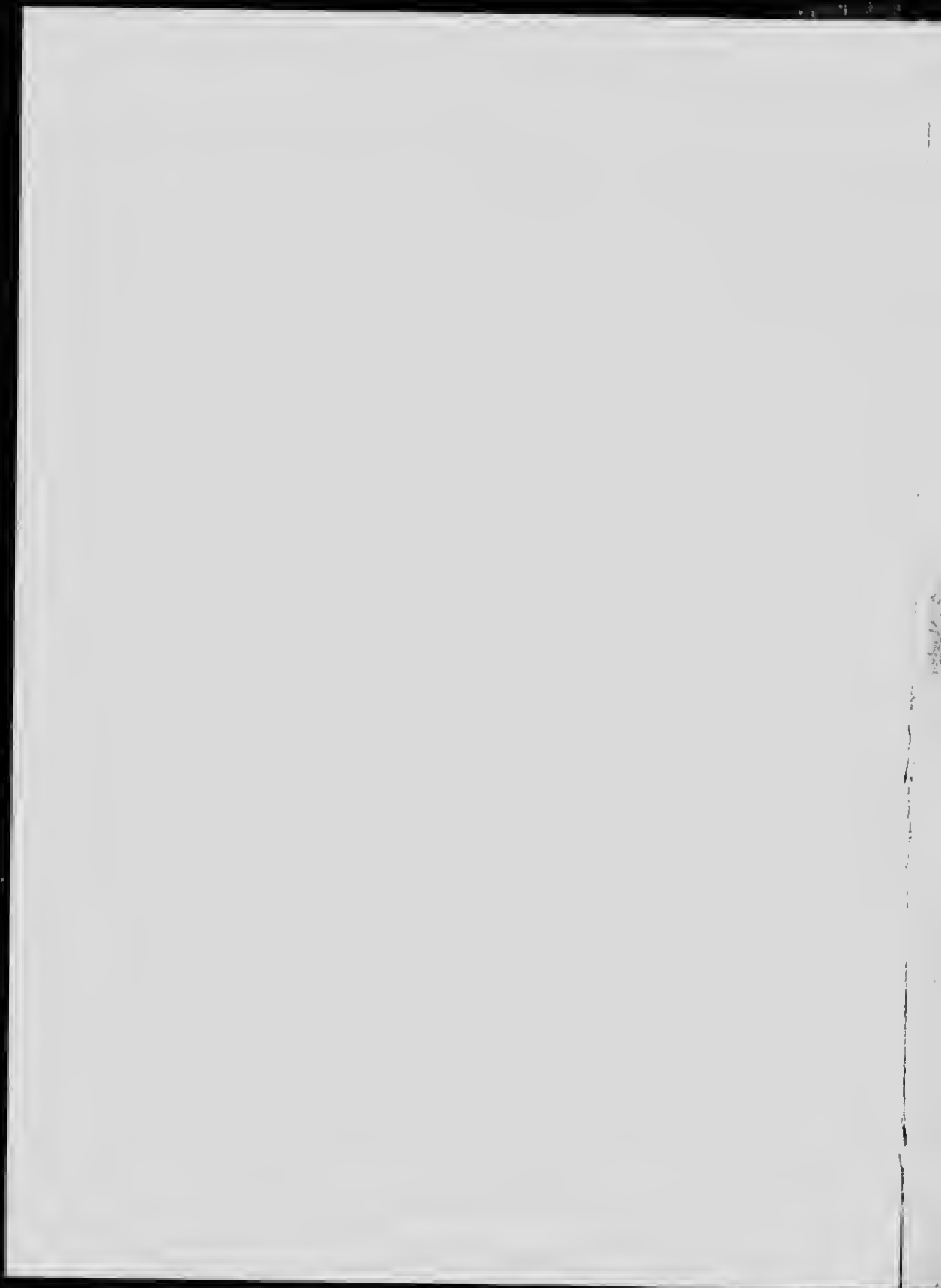
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CANADA'S PROTECTIVE TARIFF

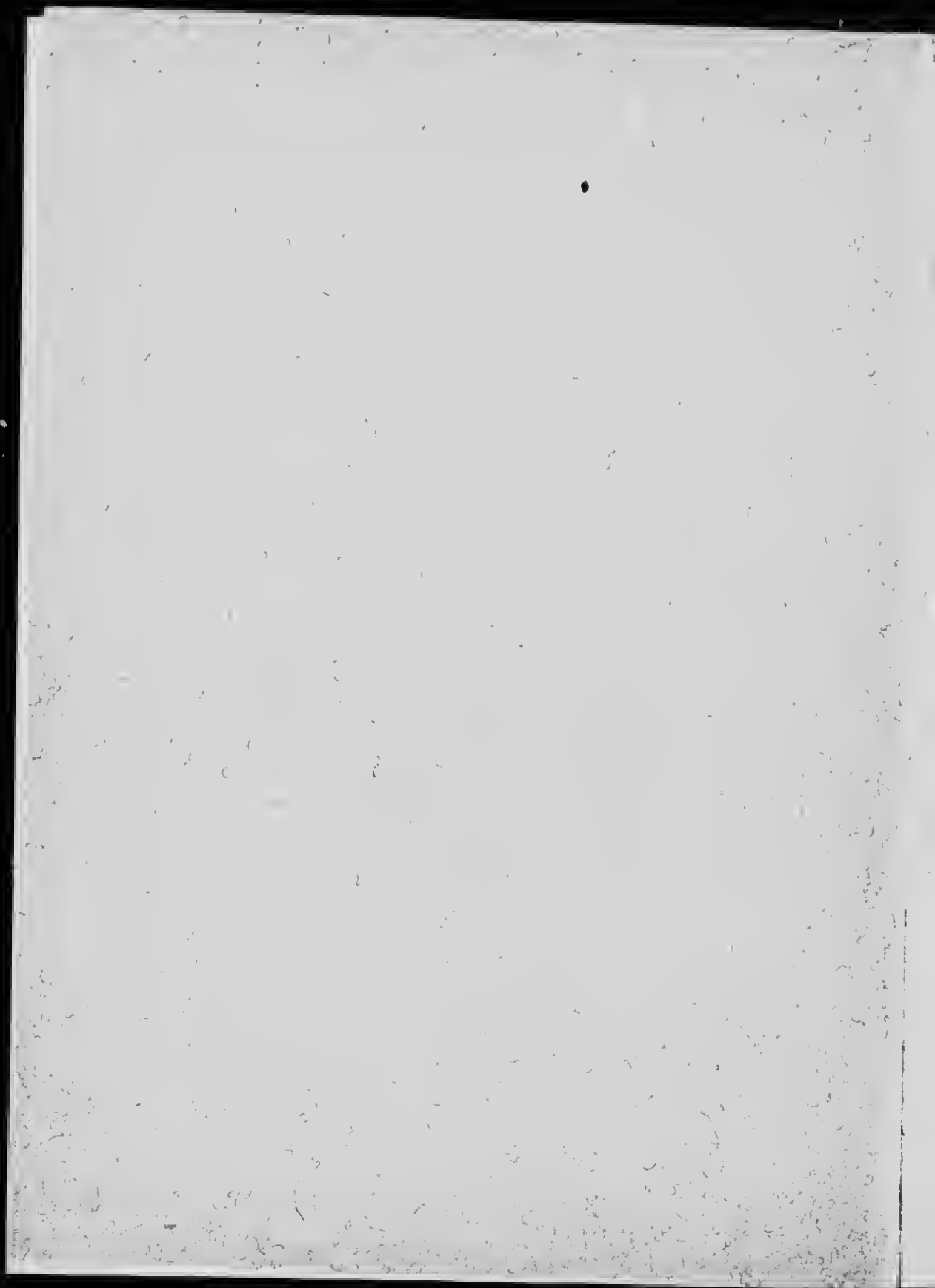
**WHAT IT IS;
HOW IT IS WORKED;
WHO GETS THE BENEFIT**

BY

EDWARD PORRITT

1920

**THE GRAIN GROWERS' GUIDE, LIMITED
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**WHAT IT IS;
· HOW IT IS WORKED;
WHO GETS THE BENEFIT.**

BY

EDWARD PORRITT

**Author of "The Unreformed House of Commons," "Sixty
Years of Protection in Canada," and "The Dominion
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1920

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Dedication

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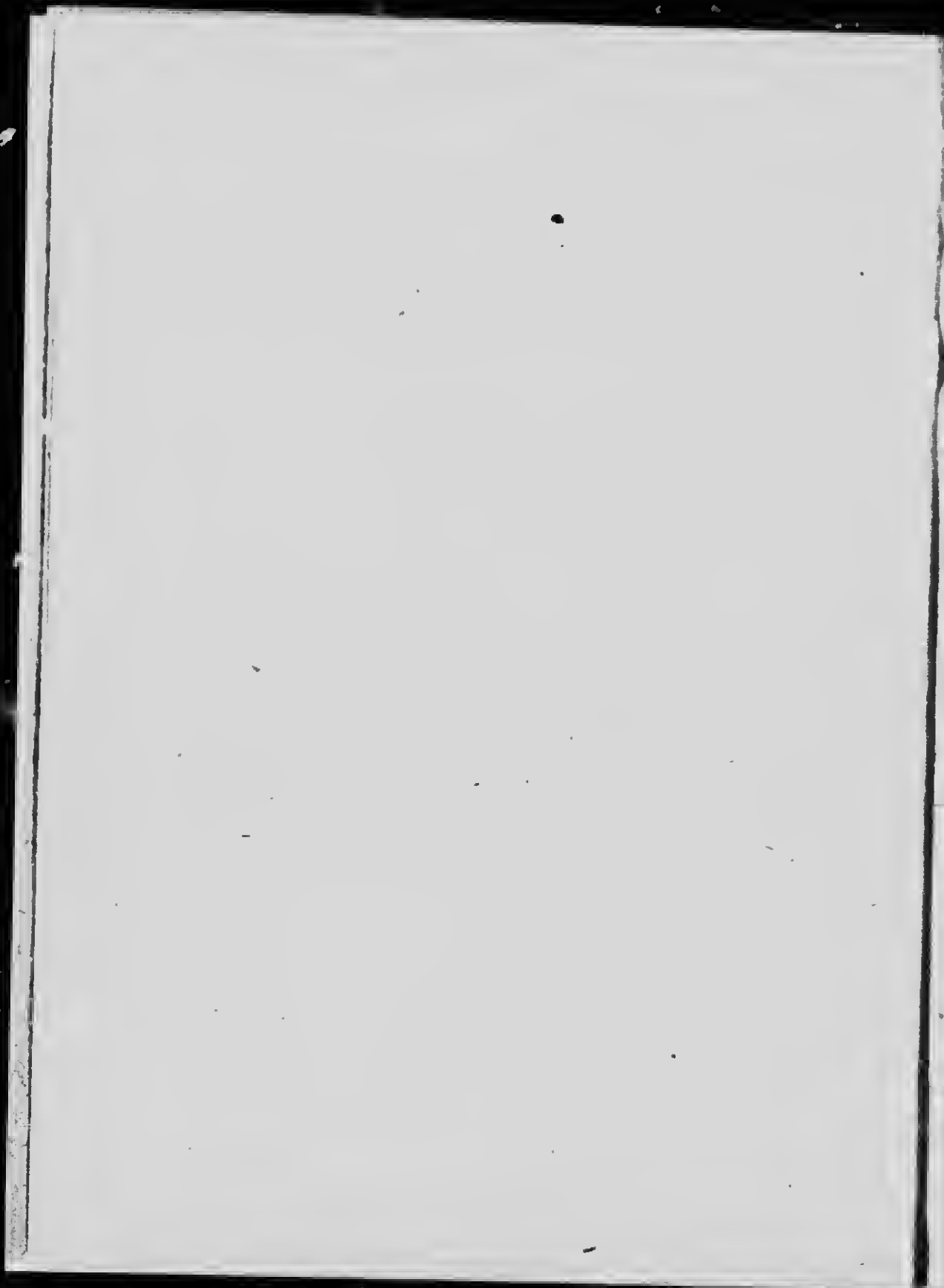
Only once in the history of the Dominion of Canada has a minister resigned because of disagreement with the premier and his colleagues on fiscal policy. Only once since confederation in 1867 has a member of a cabinet bid his colleagues farewell because he could not conscientiously give his approval to increases in protectionist duties, or give his approval in council, and also his support in the House of Commons and in the constituencies, to reduction of protectionist duties—reductions that since 1879 have seldom been made—that he deemed inadequate.

To commemorate the creation of a precedent that in years to come may be of much value, I am, without asking permission, dedicating this book to

Hon. T. A. CRERAR,

Member of the House of Commons for Marquette, Manitoba,

who resigned the portfolio of minister of agriculture because he was not in accord with the tariff policy of the Union government, embodied in the finance act of 1919; and "therefore," to quote his letter of June 4, 1919, to Sir Robert L. Borden, premier, "could not support it either in the house or in the country."



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INTRODUCTION

For twenty-two years before the war, my work as a newspaper correspondent brought me much into contact with tariff politics in the United States and Canada. It also made it incumbent on me to acquaint myself with the tariff histories, and with the industrial development and economy of both these countries.

Tariffs, as I realized at the time the Wilson act of 1894 was before congress, were not understandable without some knowledge of the general economy of the industries to which they are applied.

Few newspaper correspondents can have been in attendance at more revisions of protectionist tariffs than has been my fortune. I have attended prolonged tariff hearings at Washington, and tariff hearings in all the centres of industry in Canada from the great lakes to the Atlantic ocean.

I have, moreover, had what I am inclined to regard as exceptional opportunities of observing the working of protectionist systems in their political, industrial, and social aspects; and also of realizing to what class the advantages of protection accrue, and on whom fall the burdens of protectionist tariffs.

My concern in this book is with the protectionist or national policy system of the Dominion of Canada; and, to a small degree, also with the old commercial system of the British Empire; with the fiscal system of the United Kingdom from

1846 to 1914; and with the nondescript system of protection that was hastily devised for the United Kingdom in the years of the war.

The exigencies of my newspaper work resulted in my gradually acquiring a closer acquaintance with the protectionist system in Canada and its working than with the protectionist system in the United States.

There is, of course, a much larger trade between the United Kingdom and the United States than there is between the United Kingdom and the Dominion of Canada, and tariff revisions at Washington are of interest to manufacturers and exporters in the United Kingdom.

But after the enactment at Ottawa, in 1897, of the British preferential tariff, and again after the revival of the protectionist movement in Great Britain by Chamberlain in 1903, tariff politics in Canada had a continuing interest in Great Britain. The tariffs of the Dominion came to have a political, as well as a trade, interest; and it was for English and Scottish newspapers that my correspondence from the United States and Canada in the years from 1892 to 1914 was done.

These conditions of my newspaper work explain why the only books on protection I have attempted have been concerned with protection in Canada. But in preparing "Canada's Protective Tariff," I have, in places, drawn on my observations of tariff politics, and the operation of protectionist tariffs in the United States. It is possible, also, that I may have been influenced by my study of the political and parliamentary history of protection in New Zealand and Australia.

I offer no apology for writing of the protected manufacturers of Canada and of the United States as statutory privileged classes. Protected manufacturers in both countries are

manifestly privileged classes. They are, so far as statutory aid is concerned, the most highly privileged classes in the English-speaking world.

It is useless to deny that each of these classes is a privileged class, or to deny that it owes its long enjoyed and exceedingly valuable privileges to legislation.

Every tariff act passed at Ottawa or at Washington proclaims the fact that protected manufacturers are a privileged class. It proclaims also that it is the intention of parliament, or of congress, that manufacturers shall constitute a privileged class, and that consumers shall pay toll to them.

Nor do I apologise for writing, as I do in subsequent pages, of protectionist duties as penalty duties; or for characterizing, as I also do, extra profits accruing to manufacturers from the exercise of the statutory power that is delegated to them, as tolls levied on consumers.

More than twenty years' observation of tariff politics, of the preliminaries to the framing of protectionist tariffs, of the enactment of these tariffs, and of the operation of them, has impelled me to the conclusion that protectionist duties, in intent and in operation, are nothing less than penalty duties.

Manifestly, the object of protectionist duties is to penalize people who buy goods made abroad in preference to goods of domestic manufacture. Every manufacturer who appears before a tariff commission in Canada, or before a tariff committee at Washington, to ask for a higher duty to protect his undertaking, is conscious that he is asking for a penalty duty.

Time and again, before the Dominion tariff commission of 1905-1906, there came manufacturers who proclaimed that they were Canadians; who insisted that they ought, by reason of that fact, to have the trade of all the people of Canada; and

who maintained that people who withheld trade from them by importing goods should, by law, be compelled to pay high duties on these imports.

Under protectionist systems, as they have been developed in Canada and in the United States, since the middle period of the nineteenth century, a purchaser, either by act of parliament, or by act of congress, is compelled to choose one of only two courses.

Each is adverse to his interest. But he is forced by law to make his choice. He can import the wares he needs, and pay heavy penalty duties; or he can buy goods of domestic make, and pay to the manufacturer an extra profit which the protectionist tariff authorizes and enables the home manufacturer to exact.

As regards my use of the word toll, the dictionary does not afford me a better word, when I desire to express my conception of the extra profits accruing to manufacturers because a tariff schedule has been framed and enacted in their interest.

Such schedules, with the penalty duties embodied in them, invariably are framed at the instigation of the manufacturers. They are framed and enacted for the express purpose of corraling consumers, and enabling manufacturers to advance prices without fear of losing trade by reason of outside competition.

With protectionists who may object to my use of the words penalty duties and tolls, or to my characterization of protected manufacturers as a privileged class, or to my comparison of protection with the company store, at which employees of a manufacturing or mining company must trade or forfeit their jobs, I shall have no grievance.

Terminology such as I have ventured upon in these pages may not be that ordinarily current in discussions of protection.

But I am not claiming for "Canada's Protective Tariff" that it follows conventional lines. Hence I have ventured to use such words and terms and phrases as I have employed for what seems to me a sufficient reason.

These terms have helped me to express my conception of some aspects of protection. It is my hope that their use has also helped me to make my realization of the actual working of protectionist systems popularly understood. This is the purpose of my book, as it was of "Sixty Years of Protection in Canada," my first attempt to that end.

Books I have written in years gone by have been dated either at Farmington, or Hartford, Connecticut, in which state I have had my home for now nearly twenty-seven years. The call for this book came after I had arrived in England for an extended visit.

It has been written in the town of my boyhood, where forty-five years ago, I began my newspaper world career. It has been written in Warrington, Lancashire; and to me, quite apart from long and treasured memories of Warrington, it is scarcely conceivable that a book concerned with penalty duties and tolls levied under protectionist systems—under systems that Sir Wilfrid Laurier in 1894 described as slavery—could be written in a more inspiring environment.

Warrington is an old town, even as towns in England go. It is a town with a long and interesting history. It was a place of importance some hundreds of years before the old commercial system, with its navigation code, its penalty duties, its tariff preference for imports from the colonies, and its many restraints on trade and on the enterprizes and movements of men, had its modern beginnings in the seventeenth century.

Under the old commercial system, wares made by the handicraftsmen of Warrington were sold in all parts of England, and sold also in large quantities overseas. It is a fact in local history that many of the ships under the command of Nelson, at Trafalgar, were equipped with sails of cloth woven on hand-looms in Warrington.

Until half way through the nineteenth century, its growth in population and in industrial and commercial importance was comparatively slow.

In 1846, when England adopted free trade, the population of Warrington was twenty thousand. Its rateable, or taxable, value, based on the rental value of lands and buildings, stood at £52,000.

At the end of the second decade of the twentieth century, Warrington had a population of seventy-five thousand. Its rateable value was £318,000. Its municipality ranks as one of the most progressive in the county of Lancashire.

The manufacturing industries of Warrington are as varied as those of Birmingham. The products of its factories are exported to all corners of the earth. The call is always for more of them; and the town and its suburbs afford evidences on every hand of the continuing and always increasing prosperity that has been the fortune of Warrington in the three-quarters of a century that has elapsed since parliament repealed penalty duties, and completely eliminated the company store principle from the fiscal and trade policy of the United Kingdom.

From 1846 to the beginning of the war, there was not an industry in the town that leaned on politicians. There is nobody now living who can remember the time when any Warrington industry was in the enjoyment of government largess,

or when it was a duty with its representative in the house of commons, to scheme, and push and log-roll, in order to secure tariff favours for manufacturing industries established in his constituency.

Warrington in the eighteenth century had wide fame in England as the home of the Eyres press. Many books which influenced the political and religious thought, and social movements of the time, were issued with the Eyres imprint.

Howard, the prison reformer, printed at the Eyres press his epoch-making appeal for humane treatment for men and women detained in prisons and gaols. Howard lodged over a store that, in the days of my boyhood, stood on a site five or six doors lower down the street than the chambers in which, during my sojourn in England, I have had my workroom.

From the window of this room, there is in view a store, that to-day occupies the site of Eyres printing house. These traditions, associations, and environment have not been without influence on me while at work on this book.

Howard's "State of the Prisons," published in 1777, has place in literary and social history to-day for two reasons. It exposed the almost incredible abuses of gaols, bridewells, and prisons, as these abuses existed at the period of the American revolution. It unquestionably gave the first impulse to a general desire for improvement in the construction, management, and discipline of English prisons.

Among books that influenced men's attitude towards their less fortunate fellowmen, Howard's book ranks with Harriet Beecher Stowe's "Uncle Tom's Cabin." Humane reforms followed in the train of each.

It is not possible for me, in the least degree, to hope that "Canada's Protective Tariff" will exert even a tithe of the

influence towards reform that was exerted by the best-remembered book issued from the Eyres press. But, should my book give stimulus to the popular movement in Canada, as yet chiefly agrarian, to substitute democratic for privileged class control of fiscal and trade policy, such a service will be a compensation for the inroad which its preparation has made upon my time during my visit to England.

MARKET GATE CHAMBERS,
WARRINGTON, ENGLAND,
January 1st, 1920.

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CANADA'S PROTECTIVE TARIFF



Canada's Protective Tariff

CHAPTER I

OLD AND NEW SYSTEMS OF PROTECTION

In this little book concerning protection, and in particular concerning protection in Canada, an endeavour will be made to answer some questions which are constantly being asked regarding the Dominion tariff and its history; and especially regarding the framing of protectionist tariffs and their working.

Its purpose is to make popularly understood what for sixty years has been known on the North-American continent, in the United Kingdom, and in the British overseas dominions, and also in countries of continental Europe, as the national policy system of Canada.

The Canadian system has for two generations enjoyed this world-wide fame because two of the British North-American provinces of 1783-1867—the united provinces of Upper and Lower Canada of 1841-1867—were absolutely the first British colonies to establish protectionist tariffs. Upper and Lower Canada were the first British colonies to establish protectionist tariffs which in intent and purpose were hostile to the export trade of the United Kingdom.

The legislature of these provinces, not more than ten years after responsible government had been fully conceded, enacted

protectionist tariffs in which there were no better terms of conditions for imports from London or Liverpool or Glasgow than were conceded in these tariffs of 1858-1859, to import from Boston, New York or from Buffalo or Detroit.

These tariffs, moreover, were enacted at a time when the taxpayers of the United Kingdom were still defraying the largest part of the cost of the internal defence of the British North-American provinces.¹

The protectionist system of Canada, which it is well to keep in mind, is nearly ten years older than the Dominion, is similar in principle to the existing protectionist system of the United States, and also to the protectionist systems of France and other countries of continental Europe.

It is much similar in principle also to what was known until 1846 as the old commercial system of the British Empire. It is similar because in the old commercial system of the British Empire there were protectionist duties in the interest of manufacturers in England, Scotland and Ireland.

In the old commercial system also, as in the Canadian fiscal system, as this system was developed from the Fielding tariff of 1897 to the White tariff of June, 1919, there were tariff preferences. There were, in the British system that was abandoned in 1846-1849, preferences in the interest of Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, and Upper and Lower Canada, and other British colonies in all parts of the world.

¹ There were no preferences in the tariffs of any of the colonies now of the dominions—no preferences defined in tariff schedules for imports from the United Kingdom—until the Fielding tariff—the first tariff for which the Laurier government of 1896-1911 was responsible—was enacted at Ottawa, in the parliamentary session of 1897.—*Statutes of the Dominion of Canada*, 60-61 Victoria, C. 16. The bill was introduced into the house of commons on April 23. It received the royal assent on June 29, 1897.

Again, moreover, as in the Canadian fiscal system as it was in operation in the days of the reciprocity treaty of 1854-1866—the reciprocity treaty with the United States—and also as in the Canadian system as it has been developed at Ottawa since the late Sir Charles Tupper negotiated the commercial treaty of 1883 with France—there were in the old tariffs of the United Kingdom reciprocity clauses or sections in the interest of a comparatively large number of countries that made tariff concessions to Great Britain and to British colonies.

Protection of home industries by duties on imports is an old system. It held the field in the United Kingdom until 1846-1849; and it is doubtful whether in any country, at any time, a protectionist system was ever more highly developed, more comprehensive, or more far-reaching in its ramifications, than it was in the British Empire in the sixty odd years from the successful revolt of the American colonies¹ to the repeal of the British corn laws by parliament at Westminster in 1846.

During part of this era it was the aim of the old commercial system to protect England and Scotland—Great Britain—from competition even from Ireland; and colonies of Great Britain, until nearly the end of the old commercial system, were not permitted to manufacture goods except for local consumption.

Trade in manufactured goods was reserved for manufacturers in Great Britain. English manufacturers regarded trade with the colonies as belonging by right to them, much as in the last forty years protected manufacturers in Canada have regarded the Dominion as their peculiar preserve, and treated all outsiders as foreigners or interlopers.

¹ The success of the revolt of the thirteen American colonies—the provinces that were the first states of the republic of the United States—was proclaimed to the world by the treaty of Versailles of 1783.

In the period before the American revolution of 1776-1783 had a manufacturer of hats, with a factory in New York, sent his wares into Maryland or Quebec, under the old commercial code of Great Britain he would have been liable to heavy penalties. In some industries, notably in the iron industry, factories were dismantled by troops to prevent development of industries in the colonies.

Parliament at Westminster in the eighteenth, and in the first decades of the nineteenth century, persistently upheld the manufacturers of Great Britain in their claim to exclusive trade with all British colonies, crown colonies or colonies with representative institutions.

It upheld these claims much in the same spirit as for forty years parliament at Ottawa has enacted high tariffs in order to penalize Canadians who do not purchase all the manufactured goods they require from men who are in business as manufacturers in Canada.

Everything possible was done in the eighteenth century to prevent colonies of Great Britain—or rather men in these colonies—from embarking in the manufacture of wares that were made in Great Britain. It was a penal offence to export from England or Scotland machinery or equipment for factories in British colonies, or, in fact, to export machinery for factories to any country overseas.

It was similarly a penal offence to export partly-finished materials, as for example yarns, or parts of watches and clocks, to be advanced to completion in British colonies. An act of parliament had to be passed before it was legal to export to the province of Quebec yarns used in the trade with the Indians.

Furthermore, until as late on in the nineteenth century as 1824, it was an offence, to which heavy penalties attached, to

recruit in England men to work in factories in the colonies or elsewhere overseas. An artisan who so emigrated might be outlawed, if, after due warning, he did not return to England.

In the early days of the iron industry in Upper Canada, governors, who were specially charged with the local administration of the old commercial code, would permit of no recruiting of skilled furnace and foundry men in England.

Raw material for manufacture produced in the colonies, such as wool or cotton, or wood ashes for use in the manufacture of soap, could, during the greater part of the era from 1783 to 1846, be sent overseas only to Great Britain. Moreover, only ships on the British register were, in those days, permitted to carry goods to or from British colonies.

Except for one short period—1846 to 1858—in one form or another protection has existed in the British Empire—in the United Kingdom, or in British oversea dominions such as Canada, Australia, New Zealand and South Africa—for at least two and a half centuries.

CHAPTER II

GREAT BRITAIN'S FISCAL POLICY OF 1846-1914.— ITS VALUE TO CIVILIZATION WHEN CIVILIZATION WAS ATTACKED BY GERMANY.

As all the world has long known, Great Britain completely abandoned the old commercial system in 1846-1849.¹ What all the world has not appreciated, or understood, is that the abandonment of the old commercial system was not owing to panic, due to failure of the potato crop in Ireland.

Famine in Ireland hastened the end of the corn laws. But from 1828 England had been freeing herself from the old commercial system; and with each step in this process her industrial and commercial supremacy became more assured.² But while England adopted free trade in the period from 1828 to 1846, only in the twelve years from 1846 to 1858 was there free trade all over the British Empire.

The first inroad on the new commercial system of the United Kingdom and of the British colonies, was made, it will be recalled, by the Canadas, in 1858-59. It was made, much to the disappointment of all the statesmen at Westminster,

¹ The corn laws were repealed in 1846; and in 1849 an end was made to the old navigation code.

² The most detailed history of the gradual abandonment of the old commercial system, in the years from 1828 to 1843, is that written by Gladstone, at the time he was president of the board of trade, in the Peel administration of 1841-1846. It was published as an unsigned article in *The Foreign and Colonial Review*, 1843, I, 222-273.

who had been associated with the free trade legislation of 1828-1849; for these statesmen, who were of both political parties, were hopeful that all countries would follow the example of Great Britain, and abolish statutory restrictions on trade.

The Canadas—Upper and Lower Canada—at the instance of manufacturers in Upper Canada and also in Montreal—reverted to the old commercial system in 1858-1859. But there was no turning back to the old system by Great Britain in the sixty-eight years from the repeal of the corn laws in 1846 to the great and devastating war with the Teutonic powers, which began in 1914, and threatened at one time to overwhelm and enslave the civilized world.

The free trade system of the United Kingdom was not seriously assailed from 1846 to 1903. For ten years after 1846 there were reactionary and Bourbon Tories who conceived that it might be possible to re-enact the corn laws. In the eighties there was a movement for what its promoters vaguely described as fair trade.

Neither of these movements—the first for a re-enactment of the corn laws, and the second for protection under the name of fair trade—commended itself to the constituencies. Neither movement ever had a large or increasing representation in the house of commons at Westminster; and from 1846 to 1903 the fiscal system of the United Kingdom was popularly regarded as established and out of politics.

For two generations the subject, for the great body of educated Englishmen, was a closed question, not seriously worth discussion.¹ The fiscal system was out of politics—

¹ Cf. L. S. Amery, M.P., "Mr. Chamberlain and Fiscal Policy," "Life of Joseph Chamberlain," a symposium published by the Associated Newspapers, London.

certainly out of politics at Westminster—because from about 1850 to 1903 both political parties—the conservatives and the liberals—were committed to free trade.

From 1903 to 1910 the system of free trade was assailed, and assailed more generally than at any time from the repeal of the corn laws to the end of the war in South Africa in 1902. In 1903 Chamberlain launched his propaganda for a return to the old commercial system.

The movement was supported by a large division of conservative members of the house of commons. It had the support of most of the conservative daily newspapers in London, and the support also of the conservative newspapers of Manchester, Liverpool, Sheffield, Newcastle, Glasgow, Edinburgh, Aberdeen and Dundee.

The test for the Chamberlain movement came at the general election in January, 1906. It came after three years of continuous and vigorous propaganda, in which Chamberlain was the foremost advocate of protection at Westminster, as well as in the constituencies.

The popular vote was overwhelmingly against a return to the old commercial system. At the election, at which protection was the dominant issue, the liberal party, which had been resolute in its opposition to tariff reform, was returned to power with an immense majority.

"No doubt," wrote Lord Milner, who was one of Chamberlain's supporters. "many other causes contributed to that result. But the blow to the policy into which Mr. Chamberlain had thrown himself with such boundless energy and enthusiasm, was nevertheless a severe one".¹

¹ "Mr. Chamberlain and Imperial Policy," by the Right Hon. Viscount Milner, "Life of Joseph Chamberlain," the Associated Newspapers, Limited, London, 218.

From 1846 to 1914 the fiscal system of Great Britain was based on free trade. Canada, New Zealand, Australia, and South Africa, in fact all the dominions except Newfoundland, in these years departed from the fiscal system of the United Kingdom. These four dominions adopted fiscal systems based on tariffs for revenue, with what politicians who are adept at camouflage like to describe as "incidental protection to home industries."

In the United Kingdom, from the repeal of the corn laws by Sir Robert Peel, to the outbreak of war in August, 1914, the policy of free trade was continuously maintained. In these years there was not a manufacturer in England, in Scotland, or in Ireland, who could point to a schedule in a tariff enacted at Westminster that was of the slightest advantage to him.

At the time the war began there was not a manufacturer anywhere in the United Kingdom who could say that at any time in his business career he had been aided in the least degree by a tariff or a bounty law for which parliament at Westminster was responsible. In the United Kingdom in these years no manufacturers were permitted—as has long been the case in Canada—to lean on the politicians.

Lobbyists in the interest of manufacturers seeking tariff aid for their undertakings were absolutely unknown at Westminster for two generations before the war. There were lobbyists, or men who did the business of lobbyists, as long as the old commercial system survived.

All of them disappeared after the fiscal revolution of 1828-1849. Lobbyists for tariff favours were not even a tradition at Westminster in 1914; and the history of England from 1846 to 1914, will be searched in vain for mention of any extra-parliamentary institution corresponding to the red

parlor, at Toronto, which, it will be recalled, figures quite prominently in the tariff history of Canada from 1879 to 1896.

England has its privileged class. It is almost as old as political civilization in England. It is constituted to-day, as it has been constituted for centuries, of peers, baronets, and knights. All of these men enjoy social distinction which they owe nominally, at least, to the crown. It is the King, on the recommendation of his responsible ministers, who confers peerages, baronetcies and knighthoods. Parliament has no part in the conferring of these honours.

Peers of the United Kingdom, moreover, have right to place and vote in the house of lords. Peers of Scotland, and peers of Ireland, have right to vote at elections of representative peers. Peers, baronets, and knights, and their womenfolk, now constitute the only privileged class in the United Kingdom.

Manufacturers, from 1846 to the war, were not of a privileged class. Parliament in these sixty-eight years never bestowed on manufacturers a statutory right to exploit consumers. It was proposed in 1903 that parliament bestow on manufacturers a right similar to that which manufacturers in the Dominion of Canada have possessed and exercised to the full, since 1879. The proposal was repudiated at the general election in 1906 and again repudiated at the general election in 1910.

During the period from 1846 to 1914 manufacturers in the United Kingdom had to meet the competition of every country in the world that must find oversea markets for the output of its factories. This competition British manufacturers had to meet, and did meet with success, without a vestige of tariff protection at ports in the United Kingdom.

The United Kingdom in these years, as regards its import trade, did business on equal terms with every country in the

world. Until Mr. Austen Chamberlain carried through parliament at Westminster, the finance act of 1919, there were no tariff preferences for any of the oversea dominions, or for India, or for any of the numerous crown colonies of the British Empire.

There were no preferences in any of the tariff acts of the dominions until 1897; and most of the countries to which the United Kingdom, in the years from 1846 to 1914, exported manufactured goods, were on a protectionist basis.

Despite these conditions—no preferences in colonial tariffs until 1897, and most countries with which the United Kingdom did an export trade walled-in by protectionist tariffs—the trade of the United Kingdom expanded from year to year.

In 1912—only two years before the war—the total value of the import, export, and re-export trade of the United Kingdom, was £1,343,602,000. It exceeded the foreign trade of Germany by nearly forty per cent. It exceeded the oversea trade of the United States by nearly seventy per cent.; and it exceeded that of France by one hundred and twenty-five per cent.

"Our fiscal policy," said *The Economist*, of London, in recalling the value of the trade of the United Kingdom in 1912, and in making the comparisons set forth in the preceding paragraph, "approximated to that of free trade. The fiscal policies of our three principal rivals—Germany, the United States, and France—was that of high tariffs and trusts. The moral appears to be obvious"¹

The war of 1914-1918 was the most severe test ever applied to the British fiscal system. It had easily stood the strains of the Crimean war of 1854-1856, and of the war with Boer Re-

¹ "The Success of Free Imports," *The Economist*, London, November 23, 1918.

publics in South Africa of 1899-1902, the two most costly wars in which Great Britain was engaged after the adoption of free trade in 1846.

After the Boer war there came, under the fiscal system established in 1846, the greatest expansion of trade in the history of the United Kingdom. In the decade from 1904 to 1914 it was demonstrated that hostile tariffs had failed to shut out the United Kingdom from the trade of tariff-ridden countries; and in this period the merchant fleet of Great Britain became equal to the combined fleets of all countries that do business on the ocean.

Moreover, as was emphasized in *The Economist*,¹ Great Britain's policy of free imports gave in these years to Canada, and to Australasia and South Africa—gave to the grain and meat and wool-producing dominions—the opportunity they needed of developing their resources, and bound them to Great Britain in the closest bonds of respect and affection.

The wealth accruing to the United Kingdom from trade under the fiscal system of 1846 was so great that while it was at war the United Kingdom took upon its shoulders the heavier part of the burden of financing the war expenditures of the allies and the oversea dominions.

The world was reminded of Great Britain's part in the war by the premier, Mr. Lloyd George, when on July 3, 1919, he explained the provisions of the treaty of Versailles, to the house of commons, at Westminster.

"The victory, the fruits of which are scheduled in this treaty," said the premier, "has been a tremendous one. It is a tremendous achievement; and no country has had a greater share in that achievement than the British Empire. I make no apology for referring to that, because I am a little afraid

¹ November 28, 1918.

that we have not informed the world, and I am not sure that we have informed ourselves, as to the splendid part which this great commonwealth of nations, known as the British Empire, has had in this the greatest achievement in the history of the struggles for human freedom."

"Let me," continued Lloyd George, "give one or two figures. I wonder how many men here, in the centre of government, know the number of men raised by the British Empire for its army and its navy in this war? The British Empire raised 7,700,000 men. The amount of money raised by loan and revenue, for the conduct of the war, was 9,500 millions. That is the biggest contribution made by any country."

"The total casualties of the empire," said the premier, in concluding his survey of Great Britain's part in saving civilization from the unprovoked and ruthless attack of Germany, "have been over three millions. Its navy and its great mercantile marine—I had to refresh my memory about these gallant soldier-sailors who, without demur, without fear, without delay, responded to the call of duty, and kept the traffic of the world going, fed the allies, supplied them, and gave strength to their armies—had fifteen thousand killed. The mercantile marine and the navy kept the seas. Without them the war would have collapsed in six months."¹

¹ *Manchester Guardian*, July 4, 1919.

CHAPTER III

WAR-TIME PROTECTION IN THE UNITED KINGDOM—A HYBRID SYSTEM, WITH SOME OF THE FAMILIAR CHARACTERISTICS OF PROTECTION "MADE IN CANADA"

Great Britain, it will be recalled, finally freed herself from the old commercial system in 1846. It was free of protection until the great war brought about a partial revival of it. With the war there also came a reversion, in a small degree, to the old system of preferences in tariffs of the United Kingdom for imports from British overseas possessions.¹

War-time protection in the United Kingdom—the protection of 1914-1919 to British manufacturers—was of a hybrid or mongrel description. It was a system, if it could properly be described as a system, that cannot be compared with protection as it existed in the United States under the Dingley or the Payne-Aldrich tariff acts of 1897 and 1910; or with the old commercial system of the British Empire.

The system that was developed by the exigencies of the war was characterized by no uniformity. It was based on no gen-

¹ By the finance act of 1919, introduced to the house of commons by Mr. Austen Chamberlain, on April 30, preferences were enacted for the following imports from British overseas possessions:—Cinematograph films; clocks and watches; motor cars and musical instruments; tea, cocoa, coffee, sugar, unmanufactured tobacco; motor-spirit, and wine. The loss of revenue due to these preferences was estimated by Chamberlain at £2,500,000 for the fiscal year 1919-1920; and £3,000,000 in subsequent years. The larger part of the loss of revenue is due to the preferences on tea. Ninety per cent. of the importations of tea are from British possessions.—Cf. *Parliamentary Debates*, April 30, 1919, 113, No. 52, 125-130.

eral principle. On the contrary, a large part of it was based on a section in an act passed as long before the war as 1876—a section of a law that was pressed into service to supplement the acts of parliament which formed the war-time code for the defence of the realm.¹

One at least of the war-time measures imposed high customs duties on certain lines of imports, such as pianos, musical instruments, and automobiles. As there were no corresponding excise duties on similar goods made in the United Kingdom this measure served as a protectionist or national policy tariff in the interests of British manufacturers engaged in certain lines of trade.

The purpose of this measure was to effect economy in the use of ocean transport; and it undoubtedly was of national

¹ The origin of this part of the protectionist system of 1914-1919 was described by Sir John Simon, at Manchester, on July 22, 1919. "How," Simon asked "did it originate?" "It was," he continued, "really a perversion of a method which was adopted during the war to meet the danger from submarines. It was introduced by Mr. Runciman, with no fiscal purpose, but simply to regulate and restrict the use of shipping space by very bulky articles, and by imports not of prime necessity. It was not done, as many people supposed, under the authority of that most alarming and powerful lady D.O.R.A.; and had nothing to do with any special war regulation whatever. It was supposed to be done under a section of a long act of parliament of 1876, which was a purely general provision to make it possible for the executive to prohibit the importation of arms, munitions, and gunpowder; and then, as was not uncommon, in acts of parliament, it added "or any other thing" . . . It was the sort of act you might use very properly if you wanted to prohibit the import of Mauser rifles into Ireland. But, of course, we used this instrument knowing very well that it was of very doubtful legal validity, as we were bound to use it during the war, to save the country from destruction. The people of this country throughout the war have accepted regulations such as this with a good and cheerful countenance, but now regulations devised in these circumstances are being continued, and elaborated, although the war is over, and shipping space is becoming more abundant, to assist protection to strike its roots in the soil of this country before people find it out."

service at a time of unprecedented pressure on transport facilities.

Other of the measures adopted during the war delegated extraordinarily large powers to the board of trade at Whitehall, or to committees or councils organized in association with the board of trade. These powers were so large that no British parliament in normal times—in times when the country was not at war—would for a moment have contemplated delegating them to any administrative department of state.

Under this division of the war-time measures there were embargoes on a large range of imports. During the war the embargoes were for the purpose of reducing the demands for cargo space.

After the armistice in November, 1918, embargoes were continued in order to assist manufacturers in the United Kingdom, during the transition from war to peace, and to check the outflow of money from the United Kingdom to foreign countries.¹

¹ As long after the armistice as August 14, 1919, there were 200 articles on the importation of which restrictions were imposed.—Cf. speech by Mr. J. R. Clynes, M.P., at Miles Platting, *Manchester Guardian*, August 15, 1919.

"The only thing that would permanently reduce prices were the free flow of goods into and out of this country, and free competition between those who wished to market those goods."—Sir Walter Runciman, at Alnwick, *Yorkshire Post*, Leeds, August 19, 1919.

"It is no use any longer to talk of our being a free trade country. We are up to the neck in an intolerable protection, imposed in the most arbitrary and erratic fashion, and maintained by a gross abuse of the customs consolidation act. And this at a time when the first necessity of restoring trade and relieving the public is to get everything from everywhere and with the least possible delay. Free traders must realise that they are fighting now, not to defend their principle, but to recover a lost position which can only be retrieved by the most strenuous action."—*Westminster Gazette*, August 20, 1919.

"Mr. George's schemes for trade invite also serious and searching examination, as here too, we find evasive and obscure pronouncements which may take effect in results fatal to our commerce. But there is not time or space to examine the dangers that underlie the catchwords of 'key industries,' 'dumping,' and 'fostering imperial trade,' to say nothing of the financial commitments of a country, on the verge of bankruptcy, in state credits of £18,000,000 to encourage exports to Serbia, Roumania, Poland, and the like, and in the continuance of guaranteed prices to farmers, which are now costing us directly or indirectly from 50 to 60 millions a year. But I fear that the rake's progress of our present financial policy will result in national bankruptcy before the country will get rid of those who are rushing down a steep place to be plunged in a sea of ruin."—Lord Sheffield, *Manchester Guardian*, August 21, 1910.

Embargoes at this time were not operative as regards some imports from Canada, and the other British oversea dominions; and great efforts were made at the board of trade to divert trade to the dominions, and particularly to Canada.¹

"Concrete proof of what the existing hybrid system of protection is worth at the primary stage of the iron and steel industry," read an editorial in the *Westminster Gazette* of May 31, 1910, "is to hand from Lancashire. A wire manufacturing company was in need of soft basic open-hearth wire rods. The lowest price quoted for English wire-rods was £19.10s, delivered at the wire drawing mill. The price quoted by the Dominion Iron and Steel company, of Sydney, Nova Scotia, per ton of 2,240 pounds, was £17. 10s, c.l.f. at Liverpool, or any port on the Manchester ship canal; while the price quoted by the United States Steel Products Company—the export division of the Steel Trust—for similar delivery was £16 6s per ton. * * * The business would have promptly gone, as a matter of course, to the United States Steel Products Company except for the fact that before the wire drawing company could obtain an import license, applicable to the United States, it had to satisfy the department of import restrictions, at the board of trade, that it could not obtain wire rods in Canada. The hitch came at this point; and as yet the wire drawing company has no American wire-rods in sight. Recent policy at the board of trade is obviously the protection of both English and Canadian manufacturers of primary products at the cost of much higher prices for raw material for manufacturers at the secondary stages of the industry."

War-time protection thus established resulted, as every system of protection so far tried, has resulted. There was red-tape and favoritism at the board of trade. Privileges were conceded to some traders and denied to others; and there was, especially in the summer months of 1919, much ruthless exploitation of consumers.¹

Prices of some manufactured goods—such for instance as boots and shoes, clothing, and paper, in the months from May to September, 1919—were much higher than they were even during the war. They were higher, in fact, than at any time in the economic history of modern England; and as regards purchasing power, the sovereign—one pound sterling—did little more work than three half-crowns did in 1914.²

Manufacturers seeking protection, or the continuance of protection, were active and pushful in their representations to the board of trade; and among other developments—develop-

¹ "Advisory committees had been set up, composed of prominent persons connected with the trade, to advise how the trade should be carried on. The result was that a man who applied for a license found that his application was arbitrated upon by a committee which was staffed by his own competitors and rivals in trade. Applicants for licenses were frequently told that it was not necessary to import that article, as enough had been imported already; and they were told to go and buy it in the country. This was asking the importer whether he would not prefer to be a middleman, and whether he would not prefer to pay the profit to his rival in the same trade. The system was essentially selective. A tariff did at least lay down rules, which applied equally to everyone in the same situation. But under this system the board of trade would allow one man to jump the barrier, and then fortify him by prohibiting the importation of competitive articles by other people."—Sir John Simon, at Cannon street hotel, London, July 16, 1919.

² "Whilst practically everything to-day is 100% or more than it was, many things are three times their former price, notably, to take a few things in common use, sugar, tea, matches, fruit, boots, and many articles of clothing. Women, whose dress allowance is gulded, not hy

the long purse of a rich husband or father, but by their own earnings in city offices, say that the dearest things in proportion, to what they were five years ago are hats and stockings. 'Stockings that used to be 1s 11d per pair have gone up to 5s 6d, and straw hats that you used to be able to get for 6s or 7s are now 21s, and poor at that,' said one of them yesterday. 'War-time shoes, which were very good for 21s 9d, are no longer to be had; and the same sort of shoes are now being sold for 35s.'—*Daily News*, London, June 11, 1919.

ments of a political character—was the re-appearance, after an interval of nearly three-quarters of a century, of protectionist lobbyists at Westminster.¹

¹ Cf. *Westminster Gazette*, London, May 14, 1919; *The National News*, London, May 11, 1919; *Truth*, London, May 28, 1919.

CHAPTER IV.

THE OLD AND THE NEW STATUTORY PRIVILEGED CLASS—THE ORIGIN OF CANADA'S PRIVILEGED CLASS

England in 1846 abandoned protection for a simple and to-day an obvious reason. She liberated herself completely from the old commercial system, as it had been developed in the two preceding centuries, because her manufacturers, as well as her statesmen of the school of Huskisson, Goderich, Peel, Gladstone, Russell, and Grey, and her parliamentarians and publicists of the school of Mackintosh, Hume, Cobden, Bright, Villiers, and Foulton, had become absolutely convinced that protection was hampering the progress of British industry and commerce.¹

All these men, moreover, were convinced that protection was also hampering the attainment of better social conditions for the people of the United Kingdom.

The provinces of Upper and Lower Canada adopted protection in 1858-1859; and thus made an end to the unity that

¹Cf. Testimony of John M'Gregor, one of the secretaries of the board of trade, and also of John J. Guest, James Hanley and other manufacturers, before Hume committee of 1840, blue book of 1840, No. 601, reprinted by order of the house of commons, at Westminster, August, 1840, and February, 1841.

An interesting study of the attitude of the manufacturing class in England towards the old commercial system, in the period from the end of the Napoleonic wars to the abolition of the corn laws, can be found in G. B. Hertz's "The Manchester Politician, 1750-1912," published at Manchester, in 1912.

from 1846 had characterized the fiscal policy of the whole of the British Empire.

The colonial office wrought long with the government of the Canadas to hold those provinces, as regards fiscal policy, in line with the United Kingdom, and with all the other British colonies of 1858-1859. But argument advanced by the colonial office was useless; and since 1858-1859 there has been a well-marked diversity in the fiscal policies of the United Kingdom, and of four of the five self-governing dominions of the Empire.

Two reasons explain the adoption by the united provinces, sixty years ago, of a system which the United Kingdom had then so recently thrown into the discard—explain the adoption by the Canadas of 1841-1867 of a fiscal policy which the Dominion of Canada inherited from the Canadas at Confederation, and from which the Dominion has never been able to free itself.

One of the reasons manifestly operative in the days of Macdonald and Cartier, and of Cayley and Galt, was the influence of the protectionist system in the United States on Upper and Lower Canada, and the effect of the barriers against free interchange of commodities between the Canadas and the United States—barriers created by tariff acts passed by congress at Washington, in 1841, and in subsequent years.

The second reason for the enactment of the first protectionist tariffs of the united provinces was the desire of men of capital in Toronto, Hamilton, and Montreal, to embark in manufacturing, or to extend manufacturing undertakings already in existence, and in these new and old enterprises to be protected by law from competition from both the United States and the United Kingdom.

All told these men and their active supporters did not number more than two hundred.¹ But they were influential with the politicians. They knew, moreover, what they wanted, and how to get what they wanted from the politicians of 1858-1859.

What these men engaged at this time in manufacturing in Toronto and Montreal wanted was that the legislature of the Canadas should, by statute, establish them as a privileged class. They demanded to be established as a class, empowered by statute to make purchasers pay more for wares from factories in the Canadas than for similar goods coming into the provinces from the United Kingdom or from the United States.

The politicians of 1858-1859 were obviously eager to accommodate the manufacturers. The governments of the Canadas at this time were as eager to accommodate the manufacturers, and to secure their good will, as the conservative and liberal national policy governments of 1879-1917 were continuously eager to accommodate and secure the good-will of the manufacturers of Ontario and Quebec, and of New Brunswick and Nova Scotia.

In 1858-1859 the governments of the united provinces were quite willing that these manufacturers of Toronto, Hamilton, and Montreal, should be entrusted with statutory power to exact toll from the farmers, lumbermen, artisans, and professional men of Upper and Lower Canada.

One government at this time was so eager to oblige the manufacturers—to establish a privileged class in the Can-

¹"A meeting called by agreement of gentlemen holding protectionist views on commercial matters in various parts of the country assembled yesterday, in St. Lawrence hall, in this city. The aggregate attendance was about two hundred."—*The Globe*, Toronto, April 15, 1858.

adas—that Galt's tariff bill of 1859 was treated as emergency legislation, and was pushed through all its stages in the legislative council—the senate of 1841-1867—in a single day.'

As long as the old commercial system of the British Empire survived, that is until 1846, the statutory privileged class that exploited the British North American provinces, and also the other colonies of Great Britain, was established not in any of these provinces or colonies, but in England, Scotland, and Ireland.

It consisted of manufacturers and merchants in the United Kingdom who traded with the colonies, and who regarded colonial trade as their peculiar exclusive possession. Parliament had long upheld this view of colonial trade; and by the action of parliament at Westminster manufacturers in the United Kingdom were clothed with statutory powers to exact toll from purchasers of their wares in every part of the Empire.

In every country over which flew the British flag, British manufacturers were a privileged class. In fact, as long as the old commercial system was in operation, there were three privileged classes in the United Kingdom. There were the titled aristocracy; the land-owners, who derived great advantage from the old corn laws; and the manufacturers who, like the land-owners, were protected by the tariff.

Little or no direct advantage accrued to the land-owners from that part of the old commercial system which was applic-

"With a degree of haste, as rare as it is unseemly, the government yesterday forced the new tariff through all its stages in the legislative council. It was read the first, second, and third time on one day; and now only awaits the governor-general's sanction to become law. To accomplish their purpose ministers proposed to set aside an established rule of the council devised to prevent precipitous legislation; and they succeeded in carrying the point."—*The Globe*, Toronto, March 25, 1859.

able to the whole of the Empire; for comparatively little wheat grown in the United Kingdom was exported to the colonies. But as long as the old commercial system survived British manufacturers were protected in the United Kingdom from all over-sea competition; and in all the colonies also they had statutory power to exact toll from the purchasers of their wares.

Commerce is much the same in any country and at any time. Dr. Bland, two or three years ago, told an audience in Winnipeg that industry and commerce were shot through with anti-Christian elements.¹

¹Cf. *Tribune*, Winnipeg, February 22, 1915.

"The man who makes a big profit in a commercially legitimate way is, after all, not wholly bad from the industrial point of view. The profits he secures are, with rare exceptions, destined for investment in those industries requiring capital."—Mr. John A. J. Morton, Norcott Brook House, Warrington, in *Manchester Guardian*, August 12, 1919.

"I will tell you why that article appeared. One of our editors came in one day and he said he was in a place, and he gave me the name (well-known—he was a member of the manufacturers' association—it was in 1914), and while he was there a man was present in this place from New York, who was selling him an inferior German product, and he arranged with him to put the words 'made-in-Canada' on that product. It was sent out, and we traced it; and we found it for sale in a retail store in Toronto afterwards. Again, a retail store applied to a manufacturer, a member of this association, to make a certain inferior article, and put 'made-in-Canada' on it. It was to go in a display of 'made-in-Canada' goods. This man refused to do so. Later another firm, whether they were members or not, produced that article, and it was on the floor of this retail store. We saw it there. That was why that article appeared."—Speech by Colonel J. B. Maclean, of *Financial Post*, Toronto, at convention of Canadian manufacturers' association, Toronto, June, 1919, *Industrial Canada*, July, 1919.

"What does a new world mean? What was the old world like?

It was a world where toil for myriads of honest workers, men and women, purchased nothing better than squalor, penury, anxiety, and wretchedness; a world scarred by slums and disgraced by sweating, where unemployment through the vicissitudes of industry brought despair to multitudes of humble homes; a world where, slide by slide with want, there was waste of the inexhaustible riches of the earth, partly through ignorance and want of forethought, partly through entrenched selfishness.

If we renew the lease of that world we shall betray the heroic dead. We shall be guilty of the basest perfidy that ever blackened a people's fame. Nay, we shall store up retribution for ourselves and for our children.

The old world must and will come to an end. No effort can shore it up much longer."—Lloyd George's message to the people of the United Kingdom, September 15, 1919.

Much of it is frankly pagan in spirit'—as pagan as German kultur. But the dictum "all the traffic will bear" in these days manifestly much in service,² is much older than the era

¹"Our mill wasn't built for the glory of God, or anybody else. It was built for the benefit of the shareholders."—Statement by representative of a woollen manufacturing company, at Sherbrooke, Quebec, before house of commons committee on the cost of living, Ottawa, June 17, reported in *Farmers' Tribune*, Winnipeg, June 18, 1919.

The industry represented by this witness, in the tariff of 1907, has a protection of thirty per cent. against competition from Great Britain, and a protection of thirty-five per cent. against competition from the United States and all other countries. From February 12, 1915, to June 5, 1919,—the period during which the war tariff act was on the statute book—the output of the mill at Sherbrooke, the mill that "wasn't built for the glory of God or anybody else, but for the benefit of the shareholders," was protected against imports from the United Kingdom by a duty of thirty-five per cent., and against imports from the United States by a duty of 42½ per cent. The witness who was examined before the cost of living committee, on June 17, 1919, admitted that in 1915 the mill earned 26.15 per cent. for its shareholders; and that in the year ending January 31, 1919, profits were at the rate of 72.9 per cent. It is needless to add that next time there are hearings before a tariff commission the mill at Sherbrooke will be described as "an infant industry."

²"As trade unionists we have made the mistake all through the war of allowing our advances to be earmarked by the name of 'bonus' or 'war wages.' We never asked for bonuses or war wages. We never even asked for an advance of standard rates. We only protested against the unreasonable prices demanded by the merchant class. We asked the government to stop it, but we were only asking a government of merchants to stop themselves. They said to us: 'No. We are making, and have a right to make, profits. It is true we have reduced the purchasing power of your sovereign to 10s., but if you ask us for a little

bit of the swag and say nothing you'll get it.' That, of course, was not exactly how they put it, but that was their meaning. So, instead of standing on our dignity as honest men, whose sons and brothers were giving their lives for a shilling a day, we, your leaders, accepted the dirty bribe and blood money, and now we are to pay the penalty."—Mr. John Hill, secretary of the bollermakers society (England) in monthly circular to members, quoted in *Yorkshire Post*, Leeds, August 15, 1919.

of the statutory privileged classes in Canada and the United States.

It is as old at least as the long since abandoned commercial system of the British Empire; and in the days when manufacturers in the United Kingdom had statutory power to levy toll on purchasers of their wares in British colonies, it goes without saying, that like Canada's statutory privileged class, of 1879-1919, they used their power to its fullest extent.

The statutory power of British manufacturers to levy toll on purchasers of their wares in the over-sea possessions of Great Britain came to an end in 1846. In that year the North American provinces were quite unexpectedly empowered by an act of parliament, passed at Westminster, to repeal all the laws which permitted British manufacturers to levy toll on purchasers of their wares in North America.

From the same act of the imperial parliament all the six British North American provinces—Newfoundland, Prince Edward Island, New Brunswick, Nova Scotia, and the Canadas—derived power to enact their own tariffs, and if so disposed to levy protectionist or penalty duties on imports from the United Kingdom or from any part of the Empire.

The maritime provinces, from the time of the enabling act of 1846 of the British parliament, to Confederation, never levied protectionist duties. The tariffs of these provinces were framed exclusively with a view to raising revenue.

No humbug, no hot-air,¹ no copious use of words to produce confusion about "tariffs for revenue with incidental protection for home industries," characterizes the fiscal history of Prince Edward Island, Nova Scotia, and New Brunswick, from 1846 to the years in which those provinces came into Confederation.²

The people of the maritime provinces consequently had no statutory privileged class levying toll on their purchases of food and clothing, and on their purchases of tools and equipment of their staple industry, until tariffs of the Dominion of Canada created a privileged class levying toll in every province from the Atlantic to the Pacific coast.

The Canadas, on the other hand, had been in possession of power to frame their own tariffs for only twelve years, when comparatively a handful of manufacturers persuaded the statesmen and politicians that there was no future for the country unless a privileged class was created, and was put in possession of statutory power to exploit, like that which the manufacturers in the United Kingdom had possessed and exercised until 1846.

Persuading politicians that a small class, with large powers to exploit, was essential to the upbuilding of the country and to the prosperity and well-being of all the people, was, in 1858-1859, manifestly not a difficult undertaking.

It became a much less difficult undertaking after Confederation; and especially in the years subsequent to 1897—the

¹"This province (Manitoba) certainly suffered from a frightful period of fool rulership. And yet the people sanctioned it. Aren't they proud of themselves? They judged a man's political or governing value by the amount of 'hot air' he could shoot off in a given time with a given amount of noise. Great stuff, or stuffing, were those orations."—*Farmers' Tribune*, Winnipeg, August 6, 1919.

²Nova Scotia and New Brunswick in 1867; Prince Edward Island in 1872.

year in which the liberal party abandoned all its old fiscal principles, and went "the whole hog" in the interest of the privileged class.

In the years from 1879-1919 leaders of both political parties—conservative and liberal—accepted the argument of the manufacturers that there must be a privileged class if the Dominion were not to stagnate.

From the incoming of the liberal party into power in 1896, to the second year of the great war, little that was asked by the privileged class was denied it at Ottawa. Thus, in the sixty years which lie between the Cayley and the Galt tariffs, and the repeal in June, 1919, of part of the war-time tariff of 1915, the area over which the privileged class of Canada has statutory power to levy toll was extended, east and west from the old Canadas, until it stretched from the Atlantic to the Pacific coast, and embraced a population of little short of eight millions.

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CHAPTER V.

A BASTARD SYSTEM OF SOCIALISM

In the control of industry and commerce, it may be taken for granted that the manufacturers of Toronto, Hamilton, and Montreal, whom the government and legislature of the Canadas in 1858-1859 established as a statutory privileged class, were individualists.- More than twenty years' observation of tariff politics, of tariff committees, of tariff commissions, and of tariff-making, has convinced me that men who hunt and scheme and intrigue for tariff favors are invariably extreme individualists.

These captains of industry are desperately anxious for government help—help from all the people—in their personal industrial undertakings. But they vehemently resent any suggestions of government interference, government control, or government supervision, at all except one stage of their enterprises.

As the trade union history of Canada, and also of the United States, makes abundantly manifest, the men who most persistently demand government help at the marketing stage of their business—who are most persistent in demanding tariff largess—are usually the men who are most hostile to anything that approximates to well-organized and effective trades-unionism.¹

¹“The conditions of labor in the United States, almost all alien labor, have been even below our own. The doctrine of collective bargaining has not received the sanction we have given it. Strike-

breaking was, and is, a regular trade. Nowhere in the world are strikes so violent and sanguinary, fought out with firearms, dynamite and bombs."—*Observer*, London, August 10, 1919.

"Big business was still to a great extent concentrated on making profits quickly. The alien was hopelessly unassimilated. The better class of labor has yet to receive recognition of those rights which went with its individual prosperity. The working man of the better sort might, while at work, have to put up with conditions that his less prosperous English colleague would have shunned."—Washington letter (by cable) *Times*, London, August 9, 1919.

It is often the men who are operating their factories behind the highest of tariff walls who make the greatest public noise concerning the injustice and iniquity of the closed shop.

These men will finance organizations to keep protectionist propaganda full of life and vigor. To these organization they will contribute of their wealth even more generously than they contribute to churches. They will hire lobbyists, who work only for large fees; and they will spend any amount of their own time, in order to keep ports as tightly closed as possible against manufactured goods.

But when it is suggested by trade-unions that it would be helpful to labor if their factories were operated as closed shops these beneficiaries of high protectionist tariffs—these men who are disgruntled if at every revision of a tariff their power to levy toll is not increased—will rush on to the platform, or into the newspapers, to declare that the overturn of the world is at hand, and scream warnings to the government that troops will soon be required to quell revolution.¹

¹Carnegie profited more from penalty duties in the tariffs of the United States than any man who was ever permitted to help to frame a tariff schedule in his own interest. On the day following his death at Lennox, Massachusetts, August 11, 1919, the *Manchester Guardian* recalled his keen interest in tariff legislation at Washington, and added: "Carnegie was a prince among individualists who did not hesitate to let his manager resort to the argument of force in an industrial crisis."

Socialism was ill-defined and little understood at the end of the fifties at the time the manufacturers of the Canadas first started out on their mission to bring the government into "jug-hundle" partnership with them.¹ Socialism was little discussed when these men set out to bring the government into a partnership in which most of the gains accrued to the manufacturers, and little or nothing to the government, or, in other words, to the people of the Canadas at large.

These pioneers of Canadian industry were responsible for the introduction into Canada of an anti-social fiscal system—a spurious system of socialism, that for forty years has cheapened, corrupted, and demoralized Dominion politics, more than any other influence or factor in public life, that is antagonistic to the maintenance of a high and beneficent level of political civilization.

There was certainly no organized propaganda in the interest of socialism in any of the British North American provinces at any time during the union of the Canadas. But had socialism been popularly understood in the fifties of last century these Canadian manufacturers of 1858-1859 would have repudiated it with as much vigor and robustness of expression as ninety-nine out of a hundred members of the

"Why," it was asked in the liberal campaign book of 1895, "should the government become a working partner with the manufacturers, and year after year heap favor upon favor upon them, while at the same time telling the farmers, who comprise so large a percentage of the workers of Canada, that they are helpless to assist them in getting more than half a dollar for their wheat, or in paying off the mortgage." "Then it should be borne in mind," continued the liberal campaign book, "that those employed in industries benefited by the tariff do not comprise more than seven or eight per cent. of all those in the Dominion having occupations."—"Federal Election, 1895: The Issues of the Campaign." "Copies of this pamphlet," read a note on the brown paper cover, "may be had by liberal candidates from Alexander Smith, secretary, Ontario liberal association, 34 Victoria street, Toronto."

- Canadian manufacturers association would repudiate socialism to-day.

Canadian manufacturers of 1858-1859 were all strong individualists. None the less, it was these manufacturers of Toronto, Hamilton, and Montreal, and other cities of Upper and Lower Canada, who were primarily responsible for the introduction, first into the Canadas, and next into the Dominion of Canada, of a bastard or spurious system of socialism that has now been in service for sixty years.

Protectionism may be described and regarded as a bastard or lop-sided socialism for a reason that at once becomes obvious to any student of national policy tariffs, who stands quite outside the privileged class and its entourage.

Under a co-operative or socialistic system the power of all the people would be exercised in the interests of all the people. The protectionist system, on the other hand, is a system in the actual working of which the power of all the people, as exercised through a parliament or a legislature, is used in the direct interest, not of all the people, but to the enrichment and material, political, and social aggrandizement of a fractional part of the population.

It is, moreover, a system under which the power of taxation of all the people, by a parliament or a legislature representing all the people, is loaned, jobbed-out, or transferred, to a small class to use it to their own ends. It is a jobbing-out of the power of taxation. It is a farming-out, or jobbing-out, of this power, moreover, under the loosest kind of conditions.

Once a parliament or a legislature has determined and embodied in a statute the penalty duties to be paid by persons who will not do all their trading with the manufacturing class to whom the power of taxation has been jobbed out except for the collection of penalty duties at custom houses, interest

of parliament and of government in the transaction is at an end.

The class that is in possession of part of the taxing power is thereafter free to use it as it deems best. It may, or may not, exact from purchasers of wares produced by it all that the penalty-duties in a tariff act make possible.

Canadian experience, going back for forty years, proves that the privileged class, once it is in possession of an indirect, but none the less effective power to tax—a power which it possesses by reason of penalty duties—exercises this power to the full. It exacts the last cent possible from purchasers who must buy the wares of the privileged class, or pay penalty duties, if for any reason they prefer goods which are not “made-in-Canada.”

Penalty duties, as is well-known, find their way, via custom houses, into the Dominion treasury. Under the tariff that was in operation from February, 1915, to June, 1919—in operation for nearly four and a half years—seventy of the penalty duties were as high as thirty-two and a half per cent.; fifty-one were as high as thirty-seven and a half per cent.; fifty mounted to as high as forty-two and a half per cent.; and five were even as high as forty-five per cent.

The higher of these duties were the highest protectionist or penalty duties ever imposed in any part of the British Empire after the downward revision of the protectionist tariff of the United Kingdom in 1828.

The enactment of these duties in 1915, at the instance of the conservative government of 1911-1917, added enormously to the indirect power of the privileged class to levy toll on the consumers of Canada. The value of them to the protected manufacturers was reflected, in the years from 1916-1919, in the balance sheets of every “infant industry” established

anywhere in the wide expanse of country from Sydney, Nova Scotia, to Port Arthur and Fort William, Ontario.

Profit salients in these balance-sheets, with the help of penalty duties ranging from thirty-seven-and-a-half to forty-five per cent., were rapidly pushed forward to an extent without precedent in the history of the forty years' conflict in Canada between protected producers and tariff-ridden consumers.

As a matter of course these high duties of 1915-1919 also added to the money collected as penalty duties by the government. They greatly increased the money accruing from penalty duties that does manifestly find its way into the treasury at Ottawa, and is accounted for by the minister of finance in his annual budget statement to the house of commons.

Any duty over ten or fifteen per cent. may be regarded as a penalty, as distinct from a revenue duty. There were some purely revenue duties in the tariff that was in force from April, 1907, to June, 1919. In the manufactures schedule, as distinct from the schedules in which were embodied the duties on liquors, patent medicines, and similar luxuries, most of the revenue duties were on raw material or partly-finished material for use at factories in Canada.

In the first instance these duties on raw material are paid by the manufacturers. But all these duties, with a liberal allowance for interest and other charges, are passed on by manufacturers to purchasers of their wares.

By manufacturers these duties are regarded as part of the cost of their raw material; and tariff protection on the finished article is always so generously conceived that manufacturers have not the slightest difficulty in passing on the revenue duties to consumers.

CHAPTER VI.

SOME CHARACTERISTICS OF "MADE-IN-CANADA" SOCIALISM

Canadian manufacturers, and their supporters in the house of commons and in the press, often proclaim that protected manufacturers pay large sums in duties on their imported raw material. They pose as men who in this way contribute largely to the public revenue.

In the case of some of the most considerable manufacturing undertakings in the Dominion—in the case of some of Canada's "infant industries" of the second decade of the twentieth century—this claim will not stand examination.

In this chapter, moreover, proof will be forthcoming that the manufacturers most concerned were never desirous that it should be examined. Proof will be submitted also that the department of customs, at Ottawa, acting no doubt on instructions, was as desirous as certain highly-favored manufacturers were, that statistical data regarding the position of these manufacturers under the raw material schedule of the tariff of 1907 should not be made public.

Duties on raw material, such as are used by these manufacturers, appear in the tariff schedule. But at the revision of the tariff in 1906-1907, when, from the point of view of the privileged class, a most accommodating government was in power—a government that was willing to concede more to the manufacturers in the way of rebates of duties on raw material than

was conceded in 1894 by the conservative government¹—certain groups of manufacturers managed to secure the insertion, in the tariff act, of what at Washington, would be described as a "joker."²

To their great advantage a section, containing not more than twenty or twenty-one words, was embodied in the law,³ by virtue of which all but one per cent. of the duty on much of the raw material they use comes back to them in the form of rebates.⁴

Manufacturers never denied that the tariff system was so framed, at their instigation, of course, that drawbacks on imported material were paid to them. In their interest, however, the idea was fostered that the drawbacks were paid only

¹"Under a new order-in-council—because these things are done by the cabinet, and not by parliament—passed in November, 1894, manufacturers were empowered to import free all the materials used in the manufacture of their goods for export, whether such material was of a class made in Canada or not.

In other words, manufacturers are not now compelled to patronize home industries for their material, and are enabled to sell cheaper to foreigners than to Canadians."—"Federal Elections: 1895," 28.

The book from which this note is taken was compiled for the use of liberal candidates at the election in 1896, an election that came a year later than had been anticipated at headquarters of the liberal party.

²"It is in the tariff schedules that half of the monopolies of the country have found covert, and protection, and opportunity. If you go through the tariff schedules, you will find some nigger in every wood pile; some little word, put into almost every clause of the act, which is lining somebody's pockets with money."—Woodrow Wilson, *Outlook*, New York, August 26, 1911.

³Cf.—Item No. 1,002 Tariff Act, 1907.

⁴"To him that hath a political pull shall be given, and to him that hath not a political pull shall be taken away, even that which he has."—Mr. John H. Sinclair, (Guysboro', Nova Scotia), house of commons, March 22, 1912.

in respect of raw materials used in the manufacture of goods for the export trade.¹

But in June, 1916, a searchlight was turned on the drawback system and its peculiar serviceability to manufacturers, in the home as well as the export trade, by Mr. H. J. Petty-piece, editor of the *Free Press*, Forest, Ontario, who, in making widely known the results of his study of the drawback system, acknowledged the valuable assistance afforded him in his investigations by Mr. F. F. Pardee, liberal member for West Lambton.

"Some weeks ago," wrote Pettypiece,² in making one of the most enlightening contributions to the history of the working of the protectionist tariff that ever found its way into the columns of a Canadian newspaper,³ "the *Free Press* contained an

¹"Reference has frequently been made in the section of *Industrial Canada* devoted to the consideration of tariff matters, to the privilege accorded manufacturers of securing a drawback, or a refund of customs duty, on materials used in manufacturing for export. Briefly stated a drawback is obtainable of ninety-nine per cent. of all customs duties, whether regular duty, dumping duty, or war tariff duty, when paid on imported articles which are advanced in manufacture in Canada, and exported. The effect of the export drawback provision is, as nearly as possible, duty-free material for manufacturing for export."—Extract from *Industrial Canada*, official organ of the Canadian manufacturers' association, quoted in *Free Press*, Forest, Ontario, September 28, 1916.

²*Free Press*, Forest, Ontario, June, 1916.

³"Three years ago, when *The Free Press* published figures showing that Canadian implement manufacturers received from the Dominion treasury a refund of 99 per cent. of the duty they paid on raw materials used in the manufacture of farm implements sold at home, the statement was disputed by many supposed-to-be well informed people. Even editors of daily papers and farm journals questioned it. *The Free Press* is the only paper in the Dominion that has taken the trouble to obtain those figures and inform the people of this flagrant imposition on our farmers. Although it has been sometimes a very difficult task, we have secured official returns each year, and have given our readers the benefit of the information."—*Free Press*, Forest, July 17, 1919.

article on rebates of duties paid to the Canadian manufacturers, in which it was pointed out that five manufacturers of agricultural implements received rebates to the amount of \$292,616. The names of several of the principal firms were given, with the amounts paid in rebates to each, for the year ending March 31, 1913."

"We stated," continued Pettypiece, "the reports of the auditor-general for the two following years did not give the names of the various firms receiving these special favors. We applied, through Pardee, for this information; and Pardee was informed by the customs department that these payments of rebates were of a confidential nature, and the desired information was refused."

"As I understand it we have two very large concerns that are manufacturing the major portion of the ploughs of Canadian make that are used in Canada at the present time; and these firms have been in business since the very inception of the national policy. They have had all the fostering of the national policy up to now."—Mr. Henders, house of commons, June 19, 1919.

"We have no business to go behind closed doors, and conceal our ideas on the tariff. I might say to the leader of the government, (Sir Thomas White, minister of finance), that I never knew when he was willing openly to discuss what he was going to do about the tariff. His plan always has been to go behind closed doors, and do what he proposes to do with regard to the tariff by order-in-council. He will not trust this house in a matter of that kind, because it might lead to a vote of want of confidence in himself and his colleagues."—Mr. D. D. Mackenzie, leader of the liberal opposition, house of commons, March 5, 1919.

"The Hon. N. W. Rowell stated in the house of commons to-day (June 27, 1919) that between 1914 and 1917 inclusive, 26,333 orders-in-council had been passed by the government, of which 557 were passed under the war measures act."—Ottawa despatch to *Tribune*, Winnipeg, June 27, 1919.

"The Canadian manufacturers association, which is holding its annual convention in the conservatory of music, Hamilton, (Ontario), ar-

rived at the most important part of their business this morning—the consideration of the report of the tariff committee, and the discussion of the proposal to petition the Dominion government to appoint a permanent tariff commission. In order to give the speakers the greatest latitude, the press was excluded, and the secretary instructed to hand out the decision at the conclusion of the debate.”—Hamilton despatch to *The News*, Toronto, September 15, 1909.

“There is a Tammany in Canada.”—*Citizen*, Ottawa, quoted in the *Tribune*, Winnipeg, April 14, 1915.

“At the request of the *Free Press*,” continued the informing article of June 1, 1916, “Pardee then made a motion in parliament,¹ asking for a statement of the amounts of drawbacks paid to certain firms during the fiscal year ending March 31, 1915. This action brought a reply from Hon. J. D. Reid, minister of customs, in which it was shown that the amounts paid in rebates of duty to three implement manufacturers during that year were as follows:—

Massey-Harris Company	\$279,256
International Harvester Company	101,613
Frost & Wood Company	31,005
Total	<u>\$411,874</u>

“Of the above total of \$411,874 rebated to these three firms, \$86,754 was on implements manufactured for home consumption.”

At the time Reid, minister of customs, thus communicated to the house of commons these details of the working of the drawback system—details it will be recalled that the department of customs had refused to communicate to a member of the house of commons because they were of what the department regarded as “a confidential nature,” he also reminded

¹Cf. House of commons debates, Ottawa, April 27, 1916.

CANADA'S PROTECTIVE TARIFF

the house of the section in the tariff act of 1907 by virtue of which this largess was bestowed upon manufacturers.¹

"The Fielding tariff, which became operative on November 30, 1906," said the minister of customs, "contained the following provision, which has been continued since that date, viz.—'Goods subject to drawback for home consumption,—item 1002, rolled iron, rolled steel, and pig iron, when used in the manufacture of mowing machines, reapers, harvesters, binders, and attachments for binders, ninety-nine per cent.'" Under this provision of the law the department of customs has been granting, since November 30, 1906, drawback of ninety-nine per cent. of the duties paid on the articles mentioned when used in the manufacture of the agricultural machines specified, for home consumption."

¹In detail the statement by the minister of customs on May 1, 1916, was as follows:

"Amounts paid in fiscal year ending March 31, 1915,—

	Export	Home Consumption
International Harvester Company	\$ 50,906.02	\$ 50,707.10
Massey Harris Company	255,630.19	23,626.21
Frost & Wood Company	18,584.47	12,420.80
Cockshutt Plow Company	14,442.34	
Verity Plow Company	5,316.97	
Ford Motor Company	388,364.29	1,070.78
Quaker Oats Company	74,034.05	
Totals of above:		
International Harvester Company		101,618.12
Massey Harris Company		279,256.40
Frost & Wood Company		31,005.27
Cockshutt Plow Company		14,442.84
Verity Plow Company		5,316.97
Ford Motor Company		389,435.07
Quaker Oats Company		74,034.05
Total		\$895,103.22

House of commons debates, May 1, 1916.

"What a dog-in-the-manger policy," said the *Free Press*, in commenting on the statement of the minister of customs, "our manufacturers have pursued. They defeated reciprocity¹ on the fraudulent plea that it would be disloyal for the farmers to trade with our neighbors; and yet, they were so anxious to trade with the same neighbors that they have secured practically free trade for themselves."²

¹At the general election in September, 1911.

²*Free Press*, Forest, November 2, 1916.

In the session of 1917, at the instance of Mr. Pardee, who energetically associated himself with the editor of the *Free Press* in the movement for much-needed publicity as to the origin and working of the drawback system, more statistics were forthcoming. "A few days ago," read an editorial article in the *Free Press* of June 19, 1917, "Mr. Pardee, M.P., by motion in parliament, obtained for the *Free Press* a return showing the amounts of rebates of duty paid to several manufacturers of farm implements during the two fiscal years ending March 31, 1917. During these two years the Massey-Harris Company and the International Harvester Company were paid \$221,946 in rebates of duty, of which \$121,001 was on raw material for exported implements, and \$100,945 for implements sold at home. It is not surprising that the government, which in these matters is controlled by the combines, should refuse to give the information without a motion in parliament. When will our farmers awake to a realization of how they are being robbed by the whole combination of greedy profiteers?"

At an earlier stage of these revelations as to the out-and-out protectionist spirit in which the liberal government revised the tariff upwards in the session of 1906-1907, the *Free Press* was outspoken in its suggestion as to whence the remedy for these anti-social sinuosities of the protectionist system must come. "The remedy," it said, June 1, 1916, "must come from the farmers themselves. They must shake off the chains of party slavery, and unite in their own interest. If they need examples of the result of united action they have only to look at what the combines have done, and are continuing to do. No such foolish thing as party loyalty keeps the barons of special privilege from uniting their forces when they want legislation that will fill their pockets from the public treasury. We do not see the manufacturers fighting against each other over mere party sentiment. But we do see them uniting in obtaining special privileges from whichever party happens to be in power. When the farmers unite in their own interests, as the barons do in their interest, they will get fair play, and not before."

In cases where duties on raw material are not by act of parliament or by orders-in-council remitted,¹—in cases where manufacturers do pay revenue duties on their raw materials—they sometimes pose as men who pay large sums into the national treasury. They are usually silent concerning the fact that they pass these duties on to consumers. As a newspaper correspondent I travelled for weeks with the tariff commission of 1905-1906, and I can recall occasions, when from the commissioners' side of the table, manufacturers were reminded of this important fact in the economy of their business.

¹See customs tariff, 1907, and amendments, issued by department of customs, Ottawa, October 1, 1914—137-142.

CHAPTER VII.

PENALTY DUTIES AS THE BASIS OF THE PROTECTION SYSTEM

There were, as has been stated, numerous revenue duties in the tariff in force in 1915-1919. But there were, of necessity, in a "tariff for revenue, with incidental protection to Canadian industries" many more penalty duties.

As is manifest, it is the penalty duties that constitute a protectionist tariff. The Canadian manufacturers' association would interest itself only to a small degree, and at most only occasionally, in a tariff in which there were no penalty duties. From 1879 to the present time the national policy system of the Dominion, except as regards bounties, and such enactments as the amendment of 1900 to the railway code,¹ has been based exclusively on penalty duties.

Of the direct and indirect taxation imposed by a protectionist tariff it is only the revenue and penalty duties—the direct taxation imposed by a tariff act—that find their way into the national treasury, and not into the bank accounts of the comparatively small number of the privileged class to

- ¹By the act of 1900 (63-64 Victoria, 58) it was made a condition that when Dominion subsidies were granted in respect of a railway undertaking the company receiving the subsidy should lay its road with new steel rails made in Canada "if the same are procurable upon terms as favorable as other rails can be procured." The act of 1900 went into operation in August, 1904.

whom parliament, always at the instance of the government, has jobbed-out or sub-let an indirect power of taxation.¹

There was a period in the history of Canadian protectionist tariffs at which there were men in the house of commons who realized that protection is a bastard system of socialism; who realized the purpose and intent of penalty duties; who also realized what was the result of jobbing-out the power to tax to a small privileged class; and who never resorted to camouflage when they were discussing this lop-sided system of socialism.

All these men were of the liberal party of 1867-1896. Cartwright was easily the foremost of these liberals of the period anterior to the adoption of protection by the liberal party in 1897. It was Cartwright, who, in 1890, told the house of commons that "this whole business of protection is robbery—legalized robbery."²

Alexander Mackenzie, although perhaps not Cartwright's equal as a platform speaker and as a parliamentarian, stood in popular esteem on the same high level as Cartwright. To the last—until his death in 1892—Mackenzie stood out against the privileged class as strongly as he stood for maintenance of the connection between Canada and Great Britain.

¹It is usual to describe only income taxes and similar imposts handed directly over to the collectors of taxes, as direct taxation. Duties paid on imports are passed on by distributors of imports to consumers. Import duties are consequently classed as indirect taxation. Here, however, I have ventured to use the term 'direct taxation' to cover revenue duties and penalties duties. Similarly I have ventured to use the term indirect tax to denote the excess in price which accrues to manufacturers because there are penalty duties in the tariff. In other words, I have used the term to cover the gain to manufacturers by reason of the fact that they "carry on their undertakings under the protection of national policy tariffs.

²House of commons debates April 11, 1890.

Where Mackenzie stood in the trying period of the liberal party of 1876-1878, when Macdonald and the conservatives were up to the neck in the propaganda for a national policy tariff, may be judged from one memorable contribution that he made to the discussion of protection in those years.

"There is no policy more consistent with what we call the dark ages of the world," Mackenzie declared, "than that of protection as a principle. There is no principle more consonant with the advance of human freedom, no principle more in accordance with the great prosperity that prevails in our time, than that of absolute freedom of commerce."

Laurier, in these years from 1867 to 1896-1897, was strongly opposed to a statutory privileged class, and to penalty duties enacted in the interest of a privileged class. "It is always easy," Laurier once told the house of commons, "to increase the tariff, because by so doing you increase the fortunes of certain private individuals."

The leader of the liberal party from 1887 to his death in 1919—the successor in this lead of Mackenzie and Blake—made a vehement protest against protection at the Ottawa liberal convention of 1893.¹ But Laurier's best-remembered speech against national policy tariffs was that he made at Winnipeg, a little more than a year after the convention of 1893.

¹"It seems to me that it (the Paterson resolution) could hardly be improved upon. It is a thorough arraignment of the policy the government has followed. It sets forth all the evils which have flowed from the system of protection. It draws the line, clear and distinct, between the policy of liberty and freedom, and the policy of slavery; because, I leave it to the judgment of every free man, to the farmers, and above all I leave it to the working man in the cities, if protection is anything else but slavery."—Official report of the liberal convention, Ottawa, June 20-21, 1893, 73.

Speaking for the liberal party, Laurier then declared that it stood for freedom. "I denounce," he continued, "the policy of protection as bondage, yea, bondage. I refer to bondage in the same manner as American slavery was bondage; not in the same degree, perhaps, but in the same manner. In the same manner the people of Canada, the inhabitants of Winnipeg, particularly, are toiling for a master who takes away not every cent of profit, but a very large percentage, a very large proportion of your earnings for which you sweat and toil."¹

David Mills also held a high place in the confidence and esteem of the rank and file of the liberal party, especially in the country west of the Ottawa river. Of all the leaders of the liberal party of 1867-1896 none had a better understanding of the anti-social aspects of a protectionist system than Mills of Bothwell. None could express with more clearness or greater vigor his vivid realization of the actual working of "a tariff for revenue with incidental protection for Canadian industries."

In the parliament of 1874-1878, Macdonald and the conservatives embarked on a propaganda for national policy tariffs. In the house of commons the propaganda was pushed with much pertinacity in the sessions of 1877 and 1878. In one of the debates on protection in 1877 Mills made a vigorous onslaught on the proposal of the conservative party to bestow on manufacturers the power to levy toll on Canadian consumers.

The plan proposed by the conservatives in 1877, it need not be recalled, was the plan with which Canadians have now been familiar for forty years. There were to be penalty duties

¹*Free Press*, Winnipeg, September 3, 1894.

in the tariff—duties so framed that manufacturers were to be put in possession of power to make Canadians buy “made-in-Canada” wares, at “made-in-Canada” prices, or pay penalty duties at rates dictated by Canadian manufacturers.

“The conservative opposition”, said Mills,—March 15, 1877,—in denouncing what in these pages are described as “penalty duties,” “might disguise their proposal as they please, but it meant plunder and nothing else. It meant taking from the pockets of every consumer a sum to be given to some other person; and the system by which this was done was a system of plunder.”

“If,” continued Mills, “people knew that honourable gentlemen opposite intended to impose taxes to the amount of twenty-eight million dollars instead of fifteen millions, and that only fifteen millions would go into the public treasury, the balance passing into the pockets of certain capitalists, they would not support such a proposal. And yet, that is precisely the proposal of honourable gentlemen opposite, disguise it as they may.”¹

In the extra-official or official reports of debates in the house of commons, at Ottawa, from 1867 to 1919, there are many thousands of columns of reports of discussion of protection. From 1876 to 1919 there never was a session in which protection did not, in one form or another, engage the attention of parliament.

From 1876 to 1896 there was a sincerity in these discussions, and in particular in speeches of the leaders of the liberal party, that was lacking in the discussions from 1897 to 1919—in the sessions after the complete abandonment by the liberal party in 1896-1897 of all the fiscal principles it had

¹Parliamentary debates, Ottawa, March 15, 1877.

professed from Confederation¹ deprived the speeches of liberals on protection—the speeches of 1897-1919—of even an air of sincerity.²

There could be no sincerity in most of these speeches by liberal members in view of the record of the liberal party in 1897; and especially in view of the fact that in 1907 a liberal government was responsible for the highest tariff ever on the statute book of the Dominion of Canada in the forty-seven years from Confederation to the outbreak of the war in 1914.

The liberal government, and its supporters in the house of commons, were responsible in 1907 for a tariff act in which in the general lists there were 71 protectionist or penalty duties³ of 25 per cent.; 11 of 27½ per cent.; 51 of 30 per cent.; 4 of 32½ per cent.; 50 of 35 per cent., and five of 37½ per cent.

In the tariff which the liberals found on the statute book when they assumed office in 1896,—the national policy tariff

¹"This surrender to the protected interests is known in Canadian politics as 'the betrayal of 1896.'"—Andrew Macphail, (of Montreal) "Protection in Canada," in "The Burden of Protection," London, 1912.

²"I do not desire to twit honorable gentlemen opposite (the rump of the old liberal party, led after the death of Laurier, in April, 1919, by Mr. Daniel D. Mackenzie, of North Cape Breton, Nova Scotia) with their past record on fiscal policy. I think I can say, however, that they will have to go a long way before they can convince the farmers of western Canada that they are absolutely sincere in the position they take."—Mr. T. A. Crerar, house of commons, March 25, 1919.

"For four months the opposition in parliament has been under the leadership of Mr. D. D. Mackenzie. One day he declared for protection, thereby offending all the western liberals. In a few days he declared he didn't mean protection, but a bounty system."—Toronto correspondence, *Manchester Guardian*, July 18, 1919.

³"Penalty—punishment, especially payment of sum of money, for breach of law, rule, or contract."—"The Concise Oxford Dictionary of Current English" (1918).

of 1894—for which a conservative government was responsible'—there was not a single ad valorem duty in excess of 35 per cent. The number of duties of 35 per cent. in the tariff of 1894, moreover, was 38, as compared with 50 duties of 35 per cent. in the tariff of 1907.

With men and women in Canada of democratic sympathies who recall the abandonment of its principles by the liberal party in 1897-1907—with men and women who realize how the liberal party in 1897-1911 aggrandized the privileged class, and increased its now long-held statutory power to exploit, it is doubtful whether sincerity can ever again attach to speeches in favor of lower tariffs made in or out of parliament by liberals who voted at the behest of the whips of the liberal government in favor of the high penalty duties embodied in the tariff acts of 1897, 1904, and 1907.²

¹"Under our system of government, responsibility for the tariff, the greatest taxing machine we have, must rest with the government; and for it they must be responsible to parliament."—Hon. W. S. Fielding, minister of finance, 1896-1911, house of commons, March 14, 1919.

²"Whereas, at all the constituency conventions (sixteen in number), held under the auspices of the Saskatchewan grain growers' association, the delegates assembled expressed in no uncertain terms their lack of faith in the existing political parties and their conviction that it will not be possible to secure through any of them legislation which will give effect to the new national policy laid down in the platform of the Canadian council of agriculture."—Preamble to resolution adopted at Saskatchewan political conference, Regina, July 31, 1919, *Grain Growers Guide*, August 13, 1919.

CHAPTER VIII.

THE OLD AND NEW ATTITUDE OF THE LIBERAL PARTY TOWARDS THE PRIVILEGED CLASS

From 1876 to 1896 liberals at Ottawa were in earnest over the tariff issue. There was a sincere ring in their denunciations of the red parlor at Toronto¹; of penalty duties; of bounties; and of the injustices of the bastard system of socialism embedded in "a tariff for revenue with incidental protection to Canadian industries."

My contact with tariff politics in the United States began in the congressional districts of Illinois and Missouri, during the Blaine-Cleveland presidential campaign of 1884. With Canadian tariff politics my contact did not begin until 1896.

In that year I first listened to debates from the press gallery of the house of commons, at Ottawa. In those years I was an English liberal. The debates I heard in the last session of the parliament 1891-1896—the last parliament of the conservative regime which began with Macdonald and ended with Tupper—greatly interested me.

The debates of 1896 interested me so much that I read scores of other liberal speeches on the tariff, embalmed in the

¹"The upshot is that on the neck of the Canadian, as of the American commonwealth, now, ride an association of protected manufacturers, making the community and all the great interests of the country, tributary to their gains. Before a general election, the prime minister calls these men together in the parlor of a Toronto hotel, receives their contributions to his election fund, and pledges the commercial policy of the country."—Goldwin Smith, 1891.

Hansards of 1874-1895; and the impression left on me by reading these earlier speeches, and by listening to the speeches of 1896, was that the Liberal party, as it was in those years led by Mackenzie, Blake, and Laurier, was absolutely sincere in its long-maintained stand against penalty duties¹ in the national policy tariffs of 1879, 1884, and 1894.

In more recent years—1904 and 1919—it has been my fortune, as a student of the history of protection in all the English speaking countries, to read, and in many instances to re-read, all the tariff debates in Canada, from those of 1858-1859 in the legislature of the united provinces, to the debates which preceded the assent of the governor-general to the tariff act of 1919—the act by which a partial revision was effected of the war-time tariff of 1915.

All these debates had for me a lively interest. They had quite as much interest as I have ever developed in reading a political biography, or a revealing series of letters, written by a British or Canadian statesman of the first rank.

The Ottawa debates from 1867 to 1896 had an interest peculiarly their own. The debates from 1896 to 1919, so far as speeches by the liberal members of the house of commons were concerned, had for me an interest of quite a different character. The debates of the years in which the conservative party was so long in power—1878-1896,— and the liberal party equally long in opposition belong to what may be described as the hopeful era of Canadian liberalism.

¹"The government has no right to take from the earnings of any one anything except what is due to carry on the business of government. The moment the government takes one cent from your pocket, and that one cent does not go into the treasury, that is robbery."—Laurier, Ottawa convention, June 20, 1893. Official report—73.

Those of the second period—1896-1919—belong to an era in which it was not easy to distinguish liberalism from conservatism.

From Confederation to 1897, protection was the most obvious continuing dividing line between the two political parties.

The line disappeared completely after official liberalism at Ottawa, as distinct from liberalism in the constituencies, was suddenly converted to the conservative policies of high tariffs and generous bounties to some Canadian industries. No outstanding political principles thereafter divided conservatives from liberals.¹ No new and continuing issues, based on principles, arose in Dominion politics until 1911, when the question of reciprocity with the United States was revived.

The period from 1897 to 1911 was a sombre and depressing time for Canadian liberalism. It was, in particular, a depressing time for liberals in the constituencies—those of the rank and file, who were of the 1867-1897 school of Canadian liberalism, as distinct from the new and "made-in-Canada" school of liberalism that was developed at Ottawa, in the years during which Tarte, of Quebec, and Sifton, of Manitoba, were potent influences in the Laurier administration.

But from 1878 to 1896-1897 liberalism was a factor in parliament and also in the constituencies. It had life. It created and maintained a popular interest in Dominion politics. It had well-equipped and able exponents in the house of commons and on the platform. It was well served in the daily and in the weekly press.

¹There was, it will be recalled, some division between the liberal party and one group of the conservative party on the question of the British preferential tariff. This division, however, disappeared after the conservatives were returned to power at the general election of 1911.

In the decades from Confederation to the downfall of the conservative administration in 1896, liberalism, and in particular the attitude of the liberal party towards protection and special privilege, based on statutes of parliament, and also towards the gross corruption inevitable in a protectionist system, must have appealed strongly to men and women of democratic sympathies who do not sub-let their political thinking.

As an English liberal, Canadian liberalism of the period of 1878-1897 appealed strongly to me. There are old and valued friends of mine in Ottawa and in Toronto, and in places as remote from Ottawa as Sydney, Cape Breton, who can recall that I began my study of Canadian politics as an admirer of Laurier and of Cartwright and of Mills.

These Canadian statesmen, as I looked on at them from the press gallery, and as I worked through the *Hansards* to familiarize myself with their speeches in the house of commons from 1878 to 1896, all impressed me as much influenced by English liberalism. They impressed me as worthy representatives of those political principles, that from the American revolution to the act of 1884-1885 for the reform of the system of parliamentary representation, had created a new and a better England.

The downfall of the Tupper administration at Ottawa in 1896 was a source of much satisfaction to me. I anticipated a beneficent change in Canadian political conditions as a result of the general election, June 23, 1896. Ottawa during the conservative regime of 1878-1896 recalled to me the Edinburgh of Dundas, the most able and the most famous of the political bosses of Scotland.

The writing of "Sixty Years of Protection in Canada," and its sequel "The Revolt in Canada against the New Feudalism," were not exhilarating undertakings for me; for, as I have said,

much reading of speeches made in the house of commons in the years from 1867 to 1896 had convinced me that the liberal party was thoroughly sincere in its long-maintained war against protection, its political evils, and its manifest social injustice.

Despite all the unexpected and sombre developments within the liberal party at Ottawa in the years from 1896 to 1911 most of the liberal speeches against protection of the period from the downfall of the Mackenzie administration of 1874-1878 to the beginning of the liberal regime at Ottawa in 1896, are still well worth careful reading. So is the liberal campaign literature of the years from the Ottawa liberal convention to the general election of 1896.

With one quite important exception, the speeches from the opposition benches in arraignment of protection, taken in conjunction with the speeches and the resolutions at the convention of 1893, and in conjunction with the liberal campaign book in service at the general election of 1896,¹ embody nearly all that can be said against protection, and every other form of government largess to individually-owned and individually-controlled industries.

In the speeches of Laurier, Cartwright, Mills, Davies, Fielding, and other exponents of the old-time fiscal policy of the liberal party, every evil, growing out of a system under which the power of all the people is used for the enrichment of a few people, is brought to light.

The evils that arise from a fiscal system that is carefully designed to permit industry to lean heavily and continuously

¹"Protection has been tried and found wanting. The liberals offer a policy of free trade, limited only by the necessities of the revenue required for honest and economic administration of the government."—"Federal Elections, 1895, Issues of the Campaign," 21 and 22.

on the politician are revealed to the full, in all their ramifications and sinuosities, in the liberal propaganda of 1879-1896 for a revenue, as distinct from a protectionist tariff.

It was demonstrated in these speeches, and it was reiterated in the liberal campaign book of 1895, that tariff favors were favors to a class; that the system of rebates on duties on raw material for manufacturers for export was unfair to the consumers and taxpayers of Canada; that trusts and combines were developed by national policy tariffs; and that the most notorious and exaeting combine in existence up to 1894 was that in control of the cotton trade.¹

¹Cf. "Federal Election, 1895," 28-34.

On April 14, 1893, a report was given out of the annual meeting of the Dominion Cotton Company, at which the president, Mr. Gault, stated that the earnings for the year were about 20 per cent. on a capital of \$3,000,000. On the last \$1,500,000 of this stock of \$3,000,000, however, the shareholders had paid up only ten per cent., and 20 per cent. on \$1,500,000 represented an earning, or rather a robbery, of 200 per cent. on the \$150,000 paid in to buy the 1,500,000 dollars of stock. The same report of Mr. F. Gault's speech, at the annual meeting, April 1, 1893, reported Mr. Gault to have spoken as follows regarding the cotton mills within the control of the Dominion Cotton Company, which controls all the white mills in the country: "The most modern machinery is employed; and even if the government should come back to the tariff that was enforced during the Mackenzie régime, the company would be in a position to compete with the whole world, not even excepting England."—"Federal Elections, 1895," 34.

"The next witness called before the committee (cost of living committee, house of commons, Ottawa, 1919), was Francis G. Daniels, manager of the Dominion Textile Company, which is generally referred to as the cotton trust. After being put through a certain searching examination, Daniels was forced to admit that his company last year made a profit of \$1,559,888, on the common stock of the company, which cost only \$500,000. In other words, this firm made a profit of more than 300 per cent. on its common stock. Daniels explained that this profit was largely due to the fact that they bought raw cotton at 22 cents per pound, and the market had gone up to 36 cents per pound. In making up the costs of their manufactured products they figured in the raw cotton at the higher price. It is the cloth manufactured by these concerns which is worn by the people of Canada. They have enjoyed tariff protection to the extent of 42½ per cent. and

yet, the finance minister, and the protectionists, tell us that our manufacturing industries would be closed down if the tariff protection was reduced."—*Grain Growers' Guide*, Winnipeg, June 25, 1919.

"The policy of protection to overgrown infants got the worst black eye it ever did by the testimony of the business men who are making three hundred per cent. profit, and most of it being for dividends on stock that has never been paid for. A husky child like this is able to make its own way in this wide world."—*Quelph Mercury*, quoted in *Free Press*, Forest, Ontario, July 31, 1919.

It was further demonstrated in these speeches of liberal leaders, and in the campaign book—a book of 125 pages, carefully prepared and closely documented for the use of liberal candidates at the general election of 1896—that national policy tariffs had brought into existence a sugar trust that was exploiting consumers almost as much as the tariff-created cotton combine.¹

Much stress was also laid on the fact, notorious since 1879, that a protectionist system in Canada is of no service to grain growers; and that farmers and grain-growers, from the equipment required in their business, are compelled to shoulder more of the burdens of the tariff than any other class in the Dominion which must work with its hands for its livelihood.²

¹"We have refined sugars, of which we use 250,000,000 pounds every year, sold here at an advance on the price in London, deducting \$5.50 for freight, amounting to \$1,625,000. It is thus clearly shown that the refiners in Canada took \$1,500,000 of unearned profit in a single year from the people of Canada. For all that the revenue in 1893 received only \$10,000 from the sugar duties, owing to all raw sugar for refiners' use being admitted free."—"Federal Elections, 1895," 37.

²"What does the free list contain for the farmer? It contains thoroughbred stock and fowls, tea, coffee, timber, corn for ensilage, and some kinds of lumber, partly manufactured. There is nothing else in the three hundred articles on the free list which can be construed as of any benefit at all to the farmers. Compare this with the free list for the benefit of manufacturers. Mr. Bowell stated in a speech delivered January 13, 1893, at Toronto, 'no less than one hundred and thirteen articles had been put on the free list, and many of them had been placed upon the free list for the express purpose of aiding the manufacturing industries of the country.'"—"Federal Elections, 1895," 40.

It was, moreover, made manifest in these speeches of the days when the liberal party was hostile to protection, and made manifest also in the campaign literature of the liberal party, that the maintenance by all the people of Canada of a privileged class retarded the increase in population, because native-born Canadians and immigrants, realizing conditions, were unwilling to stay in Canada.¹

With two exceptions all the evils and corruptions—all the influences antagonistic to the maintenance of a political civil-

¹Cf. "Federal Elections, 1895," 62-66.

"Four million people have come to Canada since 1900. But our total population has not appreciably increased in that time. Would it not be a true national policy to find out what is sending these men out of the country almost as fast as they are coming in?"—Dr. Michael Clark, house of commons, March 25, 1919.

"In the last forty years, we have lost upwards of 8,000,000 of our population by emigration. During that period we received over 5,000,000 immigrants, and that immigration, along with the natural increase in population, should have given us a population of at least 16,000,000 people to-day. But we have only about 8,000,000. Apparently our immigrants were coming in at one door and going out at another. We were simply a station on the way to the United States. If we kept our immigrants in Canada, the Canadian-born people went to the United States. The minister has in mind increasing immigration, and that is a very good policy. But before he can hope to make a success of immigration and colonization, he must find out why people who come to Canada from foreign countries do not remain in this country. At the present time, there are over 1,000,000 Canadian-born citizens in the United States; and they have been going out of Canada every year for many years. The only time that we held our immigration to any extent was between 1900 and about 1912, during which period we made some progress. But previous to that time we were losing not only a number equivalent to our immigration, but a large portion of our natural increase. After 1900, we began to retain some of our immigration and some of the natural increase, so that in one census period our population increased by over 1,500,000. It is questionable, however, whether we have increased in the last ten years. The minister is asking for an increased appropriation to spend on immigration, and he must have in mind that when he gets an immigrant here he is to keep him. How does he propose doing better in the future than we have been doing in the past, with practically the same fiscal arrangement, the same form of government, and the same internal conditions generally?"—Mr. Frank Cahill, house of commons, May 19, 1919.

ization at a high and beneficent level—inherent in the protectionist system, were fearlessly exposed by the leaders of the liberal party, and by newspapers of the liberal faith, in the seventeen years in which the liberal party was out of power at Ottawa, and persistent and resolute in its opposition to national policy tariffs.

One evil, continuing and far-reaching in its harmfulness, that the liberal leaders, and the liberal press of 1879-1897, did not expose—an evil that was in those years not anticipated or feared by liberals at Ottawa, or by liberals in the constituencies—did not develop until after the liberals themselves assumed power in 1896.

For now more than twenty years Canadians who cared to know have been familiar with the disturbing fact that the privileged class—the class that owes much of its wealth and most of its power to penalty duties—can be in control at Ottawa, whenever its interests are at stake. It can be in control at these times, as at the tariff revisions in 1897, 1904, 1907, and 1915, regardless of whether a liberal or conservative administration is in power.

Manifestly this was a "made-in-Canada" development of protection. So far as the English-speaking world is concerned, it was a development, forced on the country by its statutory privileged class, that is peculiar to the protectionist system of the most important and most highly-favored of the oversea dominions of Great Britain.

In the history of no other English-speaking country is there an episode comparable with the episode at Ottawa of 1896-1897 that established a new date line in the history of political

parties, and created continuing and far-extending distrust of the party system in Canada.¹

In its train there came the second of the evils of protection that was not anticipated in the period from 1879 to 1897. Protection was then opposed by liberal newspapers. After the liberal party had merged itself with the conservative party, so far as government largess to industry was concerned—after it had been manifest to the English-speaking world that henceforward in Canada industry was to lean on the politicians of both political parties,²—the old fiscal principles of

¹ "Today I find my political outlook almost entirely altered. Loyalty to a political party has ceased to be a virtue. It has become, in fact, one of the greatest of social vices. It is inevitable that parties exist. But as I have known them their legacy of ill is at least as great as their legacy of good."—Rev. F. W. Patterson, *Grain Growers' Guide*, May 21, 1919.

"The big interests of all kinds in Canada, like their ilk in the United States, while as individuals they call themselves liberals or conservatives, and may even hold party offices, are not any longer in any real sense party men. Great railway corporations, protected monopolies, and the banks that finance their exploitations and mergers, are playing in Canada the same bi-partisan game that was played so disastrously to public interest and national honor in the United States. Let there be no mistake. The horns and hoofs of the American system are already within the doorstep of Canada's house of government. The fight for freedom from its vulgar and oppressive domination has only begun in Canada."—*Globe*, Toronto, November 8, 1911.

² "Mr. Borden asserted that the work of Sir John A. Macdonald and his followers had never received a greater tribute than the fact that the present government had never dared to lay unholy hands upon the national policy."—Report of Sir Robert Borden's campaign speeches in Ontario, September, 1909, *Tribune*, Winnipeg, September 18, 1909.

"We were divided in Canada on the national policy for a good many years. Nevertheless, once the two parties came to see that the national policy was essential to the country that division disappeared."—Mr. A. K. Maclean, liberal member for Halifax, house of commons, March 18, 1912.

"I am a protectionist liberal, a believer in moderate protection. Before I strayed from the fold, I did not find that my views were at variance with those of the majority of members composing the liberal

party of that day. Nor do I think that my views, as a moderate protectionist liberal, would be much at variance to-day with those of the majority of honorable members sitting to the left of the chair. We can only judge the liberal party by the policy they pursued during the fifteen years they were in power. I, for one, saw no tangible signs of free trade during that period. The manufacturers of this country were perfectly satisfied with the fiscal policy of the liberal government during those fifteen years. . . . I think I may safely say that one can take as his very best guide in matters of this kind the policy of such great men as have filled the office of prime minister of this country during the last fifty years. And when the policy of moderate protection has been adhered to by both conservative and liberal governments, that must be the easiest and best way of raising the necessary revenue, and also the fairest and most equitable system, having regard to the diversified interests that exist."—Mr. C. C. Ballantyne, (ex-president of Canadian manufacturers' association, minister of marine and fisheries), house of commons, June 9, 1919.

"In the year 1896 the so-called liberal party came into power. In 1897 they introduced some trifling reductions in the tariff. They put two or three articles of importance on the free list. They also introduced the British preference, which was a fairly substantial piece of tariff reduction, and then went to sleep for ten years. What happened to the tariff in 1907? Absolutely trifling alterations were made in it, and in some cases the tariff was raised."—Dr. Michael Clark, house of commons, March 25, 1919.

"Not only is this the best fiscal policy for this country, but it is the fiscal policy under which we have carried on a public business for forty years. During almost the whole history of the confederated Dominion, the fiscal policy has been that of protection. And in the change of government, notwithstanding the professions that were made prior to 1896 by our friends opposite that protection should be pulled up root and branch, and the maledictions that they hurled against this fiscal policy, as I frequently heard them myself, yet when they assumed power, and during all the years that they remained in power, they carried on the business of the country under practically the same fiscal policy as that which was inaugurated by Sir John A. Macdonald, when he established the national policy. It is true, there have been some minor changes here and there in the way of reductions. But they were infinitesimal. And that is the same policy that has prevailed from that time down to the present session,—the policy operated under the Laurier government of 1907. So that when we are told by our friends on the opposition side that a new era must now be brought about, and that protection must not be any longer the policy of this country, surely they can have not the slightest hope that they will be able to persuade the members of this house, or the people of this country, to take them seriously."—Mr. McIsaac, (Prince Edward Island), house of commons, June 16, 1915.

the liberal party had support from not more than two or three of the daily newspapers of the Dominion.

The liberal party, when it thirled itself to the privileged class—when it ranged itself under the banner of this class, and became subservient to its interests—carried with it nearly all the daily newspapers that from 1879 to 1897 had given editorial endorsement and support to the arraignments of protection from the liberal benches in the house of commons, and from liberal platforms in the constituencies.¹

The consequence of the developments of 1896-1897 was that for seven or eight years there was an end to all popular agitation against the burdens and iniquities of national policy tariffs.

There was, moreover, no revival of this agitation until 1905, when the organized grain-growers of the prairie provinces pushed their movement into Dominion politics; and began to assail protection with as much vigor as it had been assailed by the liberal party in the years when the liberal party was so long in opposition.

¹See "The Politics of the Dancing Dervish," *Farmers' Tribune*, Winnipeg, August 6, 1919.

CHAPTER IX.

A TARIFF-CREATED GOVERNING CLASS

The character of the peculiar "made-in-Canada" evil of the protectionist system that was developed in 1897 when the liberal party, following the example of the conservative party of 1879-1896, made itself subservient to the tariff-created privileged class, has twice been described by a distinguished Canadian writer.

Dr. Andrew Macphail, of Montreal, a fellow of McGill University, in 1909 and again in 1912, graphically portrayed the cheapening and demoralization of the political life of the Dominion that resulted from the amazing developments at Ottawa of 1896-1907.

As a writer whose constituency of readers extends far beyond Canada, Dr. Macphail frankly described the results of the developments of twenty-three years ago. He summarized the story of the developments that made it possible for what is commonly known as Canada's governing class—the protected manufacturers and their allies or associates of the world of finance—to control both conservative and liberal governments whenever their privileges are challenged, or what they regard as their long and firmly-established vested interests are assailed.

"We in Canada," wrote Macphail, in "Essays in Politics," published in 1909, "pretend that we are living under British institutions. In reality we are not. We are living under the

government of an interested class, who find a party in power, and keep it there until it becomes too corrupt to be kept any longer, when it seizes upon the other party, and proceeds to corrupt it."

Macphail's first description of political conditions in Canada, under privileged class rule, was written two years after the liberal government, at the instance of the privileged class and its allies in the world of finance, had carried through parliament the highest tariff ever enacted at Ottawa in the period from Confederation to the war.

It was written, however, two years before the privileged class had unhorsed the liberal government, solely because that government had ventured to make an agreement with the government at Washington, for reciprocity in natural products and also in a meagre list of manufactured goods.

After the privileged class had deposed Laurier and set up Borden in his stead—after the defeat of the reciprocity agreement at the general election in 1911—Macphail wrote a second description of political conditions in Canada. It was a little more detailed, and even more frank than the description he wrote in 1909.

"Protection in any country," he wrote, "is a government of a government. It creates a class bound together by self-interest alone, armed at all points, and ready for instant action against any party which threatens to curtail its privileges. It is without private or public honor, unless indeed, the mutual fidelity of a band of mercenaries may be considered as an honourable sentiment."

"Protection," continued Macphail, "hands over the legislative and executive functions of the government to a hard and selfish class, which is actuated not by any desire for the public good, but solely by the greed for pecuniary gain. This

power to destroy a government which is suspected of designs upon the system, was never so clearly displayed as in Canada on September 21, 1911."¹

Most of the evils of protection, as they had come in the train of the national policy tariffs of 1879-1894, were revealed in the speeches of the leaders of the liberal party in the house of commons, at Ottawa, in the years of 1879 to 1896.

Moreover, as was recalled in a preceding chapter, these evils were also described in much detail, and with much emphasis, in the campaign literature issued by the liberal party in the years from 1893 to 1896.²

But all these speeches, and also all this literature, in the aggregate nearly 300 large and closely printed pages,³ may be searched in vain for mention of the now outstanding evil of the privileged class system in Canada so vividly described by Macphail.⁴

¹ "Protection in Canada," in "The Burden of Protection," 1912.

² In the official report of the Ottawa convention, and in the campaign book in service at the general election of 1896.

³ Official report of Ottawa convention, 162 pages; campaign book, issued in 1896, 125 pages.

"Every delegate," reads an advertisement that was published to help the sale of the official report of the convention of 1896, "whether he was able to attend the convention or not, should keep a bound copy of the official report of the proceedings as a memento of the first Dominion convention ever held by any political party. To have been appointed to attend the great convention will, of itself, be regarded in future years as a mark of political distinction. Those who take any interest in political affairs should assist in circulating this valuable work."

⁴ "The whole incident proclaims the truth that the fundamental objection to a protective system is not the dissemination of the delusion that internal competition will regulate prices, that trusts and combines lead to efficiency, that the money which circulates in the home market is more desirable than money which comes newly from the foreigner, that a tax which is paid to a manufacturer is as useful as if it were paid into the public exchequer; not even the excellent argument that it paralyzes industry, leads to the corruption of public life, the silencing of

the press, the degradation of parliament, the debasement of the law courts, and the debauching of society; but that it hands over the legislative and executive functions of the government to a hard and selfish class, which is actuated, not by any desire for the public good, but solely by the greed for pecuniary gain."

Why there was no mention of this gross evil—why there was not in the years from 1879 to 1896 more than an anticipatory hint² that it might develop—is obvious to-day. A complete abandonment of great and abiding principles, long professed, and on which a general election in a democratic country had been recently carried, was without precedent in the history of political parties in English-speaking countries.

The liberal party of the Dominion of Canada in 1896-1897 created a new precedent for political parties in countries in which there are wide and inclusive parliamentary or legislative electoral franchises. Henceforward, although popular realization of the fact was slow in coming, Canada, in fiscal policy, came under the easy control of a governing class.

The almost silently effected revolution of 1896-1907 was manifestly, as was pointed out in a preceding chapter, a "made-in-Canada" development of the penalty duty system of encouraging home industries.

²As early as 1877, two years before the national policy tariff of 1879 was enacted, Cartwright seems to have had at least some presentiment or foreboding of some such development as came in 1896-1897. "It is worth your while," he said, in a speech at St. Catharine's, Ontario, in 1877, "to bear in mind how great peril must assuredly environ the highest political interests of this country if you turn our legislative halls, as has been the case to some extent in the United States, into organizations employed in carrying on a system of lobbying for the purposes of obtaining legislation designed to make the few rich more rich, and many poor, yet poorer than to-day. That has not been sufficiently weighed by those who are so earnestly exhorting us to readjust our tariff, and to introduce a protective system, under which everybody is to grow rich at everybody else's expense."—J. Robert Long, "Canadian Politics, with Speeches by the Leaders of Reform and Progress in Canadian Politics and Government," (St. Catharine's), 1908, 86 89.

It was peculiarly a development of the Canadian national policy system of increasing prices of commodities to consumers in order to enrich manufacturers;¹ of applying the company store system² to the entire population of a country; and of creating a privileged class with a vested interest that must be respected and safeguarded, if not increased in extent and value, at every revision or partial revision of the tariff.

England long had a governing class—a class that was drawn almost exclusively from the landed aristocracy. This class has always controlled the house of lords. It can control the house of lords today. In the era of the unreformed house of commons it was usually possible for the governing class to

¹ "The object of a protective tariff, in its initial stages, is to give a vantage ground; and in giving it I frankly admit that in the initial stages the prices will be raised to a certain degree. I say that in the initial years of the national policy, with a protective principle in it, that it will have the effect of enhancing the cost of goods; and that at first the cost of goods will be very closely up to the measure of protection which was given. If it does not have that effect, why should it ever be adopted at all? What is the good of it?"—Mr. (now Sir) George E. Foster, minister of finance, house of commons, March 27, 1894.

It is of interest to recall that the foregoing frank explanation of the protectionist system, offered to the house of commons, in 1894, by Foster, was served out as ammunition to be used against national policy tariffs by liberal candidates at the general election in June, 1896.—Cf. "Federal Elections, 1896," 40.

² Under the company store system—a devilry of commerce that is to-day in most English-speaking countries frustrated by legislation against truck-workpeople in a company's employ were compelled to buy their domestic supplies at retail stores owned by the company, and operated by it in order to increase its dividends. It was not an uncommon practice, before parliaments or legislatures intervened, for manufacturing companies to pay their workpeople not in cash, but in orders on company stores.

Except as regards civil servants there are no salary or wage-earners in Canada who receive their incomes from the government. Yet for forty years governments and parliaments in Canada, acting on the principle underlying the system of the company store, have dictated to wage and salary earners as to where they shall spend their earnings.

control the then so-called popularly-elected chamber at Westminster.

In the last two decades of the eighteenth century, and until nearly the end of the first half of the nineteenth century, the governing class in England used its power at Westminster to enact penalty duties on wheat and wool and other farm products, in order to keep rents of farm lands in England at a high level.

But when the old commercial system of the British Empire was discarded in 1846 this power of the governing class came to an end; and until the fiscal system of the United Kingdom was dislocated by the great war there was not a section in a finance act from which the landed and farming classes derived advantage at the expense of consumers. Exploitation of consumers under the sanction of the law, and with the help of the executive, ended in the United Kingdom when parliament freed the country from one long well-entrenched division of England's privileged class.

From 1846 to the war there was thus no privileged class in the United Kingdom that could control trade or fiscal policy, as the protected manufacturers have been able to control the fiscal policy of Canada since the enactment of the first national policy tariff of the Dominion in 1879.

England's governing class, the landed class—from which, from the revolution of 1688 to nearly the end of the nineteenth century, most of the statesmen of cabinet rank were drawn—after England adopted free trade, was never able under conditions of peace to enrich itself, even to the extent of a farthing, through fiscal or commercial legislation enacted at Westminster.

The old power of this class to enrich itself behind penalty duties—behind "tariffs for revenue with incidental protection

to home industry"—came completely to an end with the repeal of the corn laws by Peel and the free trade conservatives and free trade whigs, liberals and radicals of 1846.

The United States is a tariff-ridden country when the republican party is in power. Its tariffs, when republican majorities in congress, and republican administrations at Washington are responsible for them, are loaded down with penalty duties.

American tariffs, in these periods, are burdened with penalty duties embodied in tariff acts through much the same influences, and in much the same spirit, that high penalty duties are embodied in tariff acts of the Dominion of Canada.¹

The republican party, fortunately for the United States, is not always in power. It is not continuously in control of both congress and the administration. It was out of power from 1885 to 1889. It was again out of power from 1893 to 1897; and at the time this book was written the republicans had been out of power from March, 1913, and they were to remain out of power at least until March, 1921.

¹"The newspapers of this continent have recorded the death, within the past few days, of Charles Francis Adams, the American publicist and historian. Mr. Adams wrote a famous letter in 1904 when American manufacturers were flocking to Washington to secure increased customs duties. He divided the high tariff advocates into two classes—'thieves and hogs.' He declared that he himself was a member of the former class. 'I am a tariff thief,' he said, 'and I have a license to steal.' Referring to the Dingley tariff, Mr. Adams said: 'I stole under it yesterday. I am stealing under it to-day; I propose to steal under it to-morrow. The government has forced me into this position; and I both do, and shall, take full advantage of it. The other class comes under the 'hog' category, that is they rush squealing and struggling to the great Washington protection trough, and with all four feet in it, they proceed to gobble the swill. I would like to see every protectionist schedule swept out of existence, my own included.'—*Tribune*, Winnipeg, March 27, 1915; Cf. Memoir of C. F. Adams, *Times*, New York, March 21, 1915.

At these times, when the republican party is in opposition at Washington, there is some relief from the burden of tariffs framed by republican majorities of the committee of ways and means of the house of representatives, and of the finance committee of the senate.

The statutory privileged class of the United States, moreover, is steadfastly loyal to the political party that created it. It is continuously loyal to the republican party, that always increases the power of the privileged class to exact toll from consumers after a period of curtailment of that power due to the control of congress and of the administration by the democratic party.

There is no public record of the privileged class in the United States in recent years attempting to dominate both political parties in congress in matters of fiscal policy. Any such attempt might jeopardize its hold on the republican party, which has so efficiently served the privileged class since the civil war of 1861-1865; and in its turn been amply rewarded by the privileged class.

No political party in any country serves a privileged class merely because of its admiration of a privileged class,—merely for love of it. In one form or another, politicians who serve a class, who help a numerically small class to exploit people at large, or protect the interests of a class, invariably collect their pay.

Such, at least, is the history of the relations between politicians and the privileged classes of Canada and of the United States. It is also the history of the relations of the conservative party at Westminster with the liquor trade—with the most strongly entrenched and politically-influential vested interest in England.

At Washington, as will now be realized, the privileged class does not stand in quite the same advantageous position that the privileged class of Canada has stood since it possessed itself of the liberal party in 1896-1897, and re-possessioned itself of the conservative party in 1911.

The democratic party in the United States is not a party that is committed to free trade, although there are many free traders in congress, and many more free traders of the adherents of the democratic party in the congressional districts. But the democratic party is resolutely opposed to high penalty duties, such as are enacted when the republican party is in full control; and so far in its history the democratic party has not, like the liberal party in Canada, surrendered itself to the statutory privileged class.

There is, as regards fiscal policy, a governing class in the United States. Its tenure of power, however, has not been continuous. It has certainly not since 1885, been continuous; and it has not been continuous for a reason that is manifest. It can command the support of only one of the political parties—the party that in the early sixties of last century may be said to have created the statutory privileged class, as this class has been known in the United States for two generations.

In this respect the privileged class in the United States has something to learn from the privileged class of Canada—from the class in the Dominion whose special interests are in safe keeping no matter whether a liberal government or a conservative government, or a union government is in power at Ottawa.

CHAPTER X.

THE SILENTLY ACCOMPLISHED REVOLUTION OF 1897-1907

Only slowly did students of the working of parliamentary and cabinet government realize the full significance of the silently accomplished revolution of 1897-1907, effected at Ottawa by the privileged class, through the instrumentality of the liberal party of Canada.

Then they were amazed, and they wondered if democracies could survive the sinister power in politics that can be exercised, even in countries with the most democratic electoral franchises, by aggregations of capital controlled by men who are intent on the exploitation of the community at large.

The privileged class of Canada itself must have been surprised at all it accomplished at Ottawa in the decade from 1897 to 1907. It must have been surprised, because, as will be recalled, its control over fiscal policy, when the conservatives were in power, did not begin until 1879.

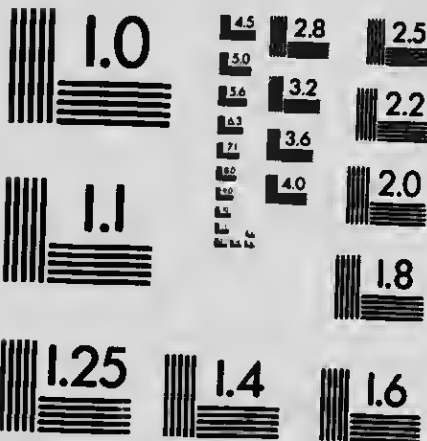
Cartwright once described in the house of commons the circumstances under which this control began. At the time he made this speech—April 16, 1890—he was one of the leaders of the liberal opposition. He recalled the early days of the propaganda for tariffs with penalty duties—tariffs with teeth in them to tear people who will not buy “made-in-Canada” goods, at “made-in-Canada” prices.

It was what may be described as a reminiscent speech; for in the course of it Cartwright carried his memory back to the



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Mackenzie administration of 1874-1878 In this administration Cartwright was minister of finance.

In those days manufacturers, anxious to lean on the politicians, were not all of the conservative party. But when many of the manufacturers who were of the liberal party, discovered that it was no part of the policy of Mackenzie and Cartwright and the liberal party generally that industry should lean on a liberal administration, those of them who only nominally professed the liberal faith adopted the maxim "our trade is our politics," and they promptly transferred their political allegiance to the party that in 1874-1878 was in opposition.

"Finding we were not going to tax the people," said Cartwright, in 1890, in recalling the developments of 1877, "they (the conservative party) made an appeal to a set of gentlemen who put themselves up for sale, and who the moment I refused to buy them, went and sold themselves to the gentlemen opposite. Yea, that is what they did. There never was an elector who sold himself for five dollars who sold himself more completely than the protected manufacturers of Canada sold themselves to honourable gentlemen opposite. We did not buy them over. They sold themselves and their votes to gentlemen opposite."

Cartwright was usually singularly clear and precise in statement. No man in the house of commons at Ottawa ever used the English language with more effectiveness than the minister of finance of the liberal administration of 1874-1878 that resisted the overtures of the manufacturers who were intent on securing an act of parliament to compel Canadians to buy their goods.

Despite this fact, Cartwright's speech in the house of commons of 1890, does not tell quite the whole of the story. It may be that the leaders of the conservative party

conceived that by offering tariff largess they were buying the political support of the manufacturers.

The history of the tariff from 1879 to 1896 suggests that in reality the conservative party was marketing the power to control the fiscal policy of the Dominion, and making itself dependent on the privileged class that it created in 1879.

From 1878-1896 the conservative party was continuously in power. From 1878 onward it had the support of the protected manufacturers. It was in these years that there came into existence the *imperium in imperio*, of which Dr. Macphail wrote in 1912, when he was describing the use that the privileged class made in 1911 of its power to defeat the reciprocity agreement, and overthrow the administration at Ottawa that was responsible for the agreement with the government at Washington.¹

The liberals found it impossible to dislodge the conservative government at the general elections in 1882, 1887, and 1891. The community of interest then existing between the conservative party and the privileged class was too much for them. About all the liberals could hope to do in those years was to educate the electorate to realize the full meaning of the community of interest established in 1879 between the conservative party and the manufacturers.

Hence the prolonged debates on tariff bills in the house of commons; and the frequent liberal demonstrations in the constituencies. Hence, also, the memorable liberal national convention of 1893, and the voluminous and carefully prepared handbook to the protectionist tariffs of 1879, 1884, and 1894,

¹"There was one factor, however, with which the government, (the liberal government of 1896-1911) did not fully reckon. It was this *imperium in imperio*, the protective system."—Andrew Macphail, "Protection in Canada" in "The Burden of Protection," 1912.

issued in 1895 to liberal candidates from the headquarters of the liberal party in Toronto.

In view of the fact that from 1878 to 1896 there was in the house of commons, and also in the constituencies, a well-directed, continuous, and resolute opposition to national policy tariffs, conservative governments were amazingly accommodating to the privileged class.

Under political conditions as they existed in these seventeen years it is not conceivable that any government could have done more for the protected manufacturers than was done by the governments of which Macdonald, Abbott, and Thompson were successively premiers.

It has to be remarked, moreover, that in these years there were frequent protests at the colonial office, and in parliament at Westminster, in the interest of manufacturers in England, particularly manufacturers of cotton goods and of iron and steel, whose trade with Canada was hampered by the penalty duties of the tariffs of 1879, 1884, and 1894.¹

¹Cf.—Report of deputation from Manchester chamber of commerce to Sir John Macdonald, August 6, 1880, *The Times*, London, August 9, 1880; speech by John Bright, at Birmingham, January 29, 1883; *The Times*, January 30, 1885; protests from Liverpool chamber of commerce, and numerous other chambers of commerce, against increases in duties on iron in tariff of 1887, parliamentary debates, Westminster, May 19, 1887. "Canada—Correspondence Respecting the Canadian Tariff of 1887," 3-4, also 7, 10, 33-34, 39-40; questions in house of commons, Westminster, May 20, 1887, and June 13, 1887; and debates in house of lords June 17 and July 4, 1887.

"When we took up this question of fostering our native industries," said Tupper, in the house of commons, Ottawa, April 27, 1888, "many parties in England attacked me in reference to it; and asked 'What do you mean by turning your backs upon the English free trade policy, and taking up the United States protective policy?'"

"Indeed, there is easy proof that the conservatives knew well when they adopted their protectionist policy that it would inevitably discriminate against Great Britain. Hence the celebrated tory phrase, 'So much the worse for the British connection.'"—*Federal Elections, 1895: The Issues of the Campaign*, 53.

Liberals in opposition openly sympathised with these protests in Downing street, and in the house of commons, and in the house of lords, at Westminster. They were willing, moreover, that it should be understood in Canada, and understood in England, that there would be fewer occasions for protest after the liberals were returned to power at Ottawa.'

The conservative party from 1879 to 1896 was steadfastly loyal to the privileged class it had created. It increased the duties on printed cottons, and also on iron, when members of the privileged class urged that they needed higher penalty duties; and generally the conservative party was always ready to accommodate its patrons—one day by increases in the tariff; the next day by the payment of bounties from the Dominion treasury.

It followed this policy, moreover, in face of a vigorous opposition from the liberal party in the house of commons, and in spite of the protests the national policy called forth at Westminster.

The interests of the privileged class—the interests of the men who thrive and grow fat because there are penalty duties in Dominion tariffs—seemed to be bound up exclusively with the fortunes of the conservative party. So much was this the case that it was popularly held to be impossible that there could ever be a community of interests between the protected

"I say the policy should be a policy of free trade, such as they have in England. But I am sorry to say that the circumstances of the country cannot admit at present of that policy in its entirety. But I propose to you that from this day henceforward it should be the goal to which we aspire."—Laurier, at liberal convention, 1893, Official Report 33.

"We must get into the British or the American system. At present we are copying the United States; and without intending it, discriminating against our best customers. Let us take the other tack now. The British system is right."—Principal Grant, *Globe*, Toronto, November 6, 1914, quoted with approval at page 54, "Federal Elections, 1895: The Issues of the Campaign."

manufacturers and the promoters of bounty-supported industries, and the keen and virile political party of which Mackenzie, Blake and Laurier were successively the national leaders.

Until after the general election of 1896, fought by the liberals on the Ottawa programme of 1893, the fortunes of the privileged class were so closely interwoven with the fortunes of the conservative party that a sundering of these two interests—privileged class and conservative party—seemed impossible. A separation of these interests, at this time, appeared as impossible as would the separations of the waters of the Ottawa and the St. Lawrence after the junction of these two mighty rivers at the western end of the Island of Montreal.

What seemed impossible, however, was actually adroitly accomplished—and accomplished without much public commotion—between the issue of the writs for the general election in June, 1896, and the introduction to the house of commons in April, 1897, of the first protectionist tariff for which a liberal government was responsible.

Politicians as distinct from statesmen were required for the job.¹ Obviously it was a job for politicians as distinct from men who are of the statesmen class. Two politicians were promptly forthcoming.

One was from Winnipeg. The other was from Toronto, and much interested in the agricultural implement industry of which Toronto has long been a centre. Both of them had long posed as liberals. One of them had been vehement in

¹"A child asked me the other day the difference between a statesman and a politician. 'Well, my child, as things go to-day,' said I, 'the only difference is that the statesman rules the country, while the politician rules the statesman.'"—Senator Curtis, of Kansas.

utterance concerning the iniquitous burdens thrown by national policy tariffs on grain growers in Western Canada.

With timely help, volunteered by bankers from Montreal and Toronto—the two politicians effected a working alliance between the privileged class and the liberal party, as represented by the administration and by all but three or four of the members returned to the house of commons at the then recent general election.

The privileged class forgot, or forgave, or ignored all the speeches against protection from the liberal benches in the house of commons, in the years from 1879 to 1896.

The official liberal party, as its part of the gentlemen's agreement, consigned the Ottawa liberal programme to oblivion; wished the Ottawa convention had never been held; and that the official verbatim reports of the stirring speeches against protection made at the convention, to enthusiastic audiences, by Laurier, Cartwright, Fielding, Paterson, Davies, Sifton, and Charlton were no part of the history of the liberal party.

CHAPTER XI.

A NEW COMMUNITY OF INTERESTS

The quiet and unannounced substitution of the liberal party for the conservative party as the party upon which the privileged class depended for a continuance and extension of its power to exact tolls from consumers, was effected at some time between June, 1896, and April, 1897.

The new merger of interests thus brought about was cemented by the tariff act of 1897. It was strengthened by the iron and steel bounty legislation of 1897, 1899, and 1901, and by curtailments of the British preferential tariff on woollens in 1904.

The capture of the liberal party was the greatest achievement in the history of the privileged class in Canada from the enactment of the Cayley and Galt protectionist tariffs in 1858 and 1859, to the rejection of the proposed reciprocity agreement, and the consequent downfall of the liberal administration of 1896-1911.

For fifteen years—1896-1911—the privileged class was as easily and as securely in control of the fiscal policy of the Dominion as it had been during the conservative regime from 1878 to 1896.

Its outstanding achievements during the liberal regime were: (1) the tariff of 1897; (2) the curtailment of the British preferences in 1904 and 1907; (3) the concession of duty free raw materials to one long-favored wealthy, and politically in-

fluent group of Ontario manufacturers—the concession described with some detail in Chapter VI.¹; (4) the bounty legislation in the interests of iron and steel companies in Nova Scotia, Quebec and Ontario—legislation which entailed calls on the treasury at Ottawa, aggregating nearly seventeen million dollars;² (5) the anti-dumping legislation of 1904 and 1907; and (6) the general upward revision of the tariff of 1897 in 1907.

The crowning achievement of the privileged class after the great and initial achievement of 1896-1897, of making the liberal party subservient to its ends, was undoubtedly the enactment of the tariff of 1907.

At that revision, as will be recalled, something was done—at the expense of consumers of Canada—for nearly every protected manufacturer who had taken the trouble to appear before the tariff commission of 1905-1906 to ask for more government largess—to ask that as a protected manufacturer he be permitted to lean a little heavier on the politicians.

Under conditions as they existed in 1907—the record of the old liberal party in regard to protection; the joy in England over the original preferential tariff; and the prosperity of Canadian manufacturers in the years from 1900 to

¹“These returns (duties returned in the fiscal year 1918-1919) show that three implement firms received refunds amounting to \$84,000 on implements sold to our farmers at prices which were unduly inflated by a high duty, thus getting a rake-off both ways. The plow manufacturers received no refund because their raw material, in the shape of mould board and landsides, comes in free. This vicious system of refunding the duty on raw materials used in the manufacture of articles sold at home was commenced in 1906 under the Fielding tariff, and has been continued ever since. It is one of the worst forms of graft with which this country is cursed.”—*Free Press*, Forest, Ontario, July 17, 1919.

²The exact sum was \$16,785,827.—Cf. “The Canada Year Book, 1915,” 460.

1906—the tariff revision of 1907 was a remarkable triumph for the privileged class.

At the end of the revision—on April 12, 1907, when the royal assent was given to the bill—the protected manufacturers could point with pride, and exceeding pride, to a tariff in which there were seventy-one penalty duties of twenty-five per cent; fifty-one of thirty per cent; fifty of thirty-five per cent; and five of thirty-seven-and-a-half per cent.

Tariff No. II of the liberal administration would have astonished the manufacturers of Toronto, Hamilton, and Montreal, of the days of the united provinces of Upper and Lower Canada of 1841-1867.

All that Cayley would concede these men in 1858 was duties of twenty and twenty-five per cent.; and even in Galt's memorable tariff of 1859, while there were additions to the twenty-five per cent. schedule of the tariff of 1858, few of the protectionist duties were on a higher level than twenty-five per cent.

As regards their important part in framing the tariff of 1907, the privileged class, from their standpoint, builded better than they knew. The protected manufacturers in 1906-1907 could not have anticipated the great war. They could not have anticipated the general increase in duties, and the era of unprecedentedly high prices of 1915-1919. Both of these developments—the increase in duties, and the increase in prices—were the outcome of the war.

After the war began to convulse the world, tariff No. II of the Laurier administration was an exceedingly serviceable tariff for the privileged class; for it was largely in their interest that in 1915 the high penalty duties in the British preferential list were increased by five per cent., and the still higher puni-

tive duties in the general list were increased by seven-and-a-half per cent.¹

The increase in the British preferential rates was repealed on June 5, 1919. At this time also, consumers were conceded a considerable, but not by any means full relief, from the extra war-time duty of seven-and-a-half per cent. on imports from the United States.²

There were, moreover, by the finance act of 1919 some reductions in the penalty duties on agricultural implements.³

¹"A reduction of 5 per cent. on the British goods is not a very inconsiderable change. Older men will recollect, and those who have read the political history of Canada when they were younger will remember, that a great political party went out of power in 1878 on the question of a duty of 2½ per cent. The duties of that day were 17½ per cent., and the manufacturers interested asked Mr. Alexander Mackenzie to make them 20 per cent. He said he would not do it, and they put him out of power. A change of 2½ per cent. in the tariff is, therefore, not inconsiderable. Accordingly, the reduction in the duty of five per cent., and in some instances of 7½ per cent., is not an inconsiderable item."—Speech by Fielding, finance minister of 1896-1911, in the debate in the house of commons—June 18, 1919—on the bill of 1919 for repealing the war-time increase of 1915 in duties in the British preferential list, and for repealing also part of the seven-and-a-half per cent. increases in duties in the general list.

²Duties were put back to the level of the rates in the general list of the tariff of 1907 on the following descriptions of imports: foodstuffs, linen and cotton clothing, woollen clothing, boots and shoes, fur caps and fur clothing, hats, caps, hoods and bonnets, gloves and mitts, collars and cuffs, hides, skins, leather, harness and saddlery, agricultural implements, petroleum oils, mining machinery and bituminous coal.—Cf. budget speech of Sir Thomas White, minister of finance in union government, house of commons, June 5, 1919.

³"Our proposals, if adopted by the house," said the minister of finance, house of commons, June 5, 1919, "will provide for a total reduction under the general tariff from 27½ per cent. to 15 per cent. on cultivators, harrows, horse-rakes, seed-drills, manure spreaders, and weeders, and complete parts thereof; and from 27½ per cent to 17½ per cent. on ploughs and complete parts thereof, windmills and complete parts thereof, portable engines and traction engines for farm purposes, threshing machine separators and appliances therefor. On hay-loaders,

potato diggers, fodder or feed cutters, grain crushers, fanning mills, hay tenders, farm, road or field rollers, post-hole diggers, snathes, and other agricultural implements, the resolutions will provide for a total reduction in rates from 32½ per cent. to 20 per cent. and a similar reduction on farm wagons. In the case of cement, the war customs duty will be repealed and the general tariff rate will be reduced to 8 cents per hundred pounds. This is a reduction of 2 cents from the present general tariff rate."

But apart from these reductions the privileged class was, by the retention of some of the increases in duties on imports from the United States, left in a much better position for exacting toll than that in which it stood from 1907 to 1915. In this respect its position at the end of the war was much better than it was when Great Britain was forced to accept the audacious challenge of Germany on August 4, 1914.

It was a realization of this fact, and also of the inadequacy of the reduction in the duties on farm implements that impelled Mr. T. A. Crerar, the representative in the union cabinet of the grain growers of the prairie provinces, to resign the portfolio of minister of agriculture.¹

Crerar, by this protest, created a precedent of significance in the constitutional history of the Dominion. By his resignation, and by his subsequent action in the house of commons,² he created a precedent, moreover, that may be of service

¹"In the manoeuvres over the budget, which continued a policy of class favoritism in taxation, the government has just lost the only real liberal in the cabinet."—Editorial article "The Winnipeg Strike," *The Nation*, New York, July 12, 1919.

²Cf.—Report of Crerar's speech on the budget resolutions, house of commons debates, June 11, 1919.

The debate on the resolutions centred about an amendment proposed by Andrew McMaster, Brome, Quebec, a member of the liberal opposition, led in the session of 1919 by Mackenzie, of Nova Scotia. The amendment, proposed June 5, was as follows:—

"The proposals of the finance minister are unsatisfactory. They offer no curb against extravagance. They utterly fail to take any adequate steps to relieve the present high cost of living. They give no definite promise of tariff revision downwards.

"That, to relieve the present situation, the tariff should be so framed as to free the food of the people, and the machinery used in the development of the natural resources of Canada, together with the raw material entering the manufacture thereof.

"To take off, or substantially reduce, as speedily as may be expedient and just to all interested, the duties upon all other necessities of life.

"Also, the reciprocal offer of trade with the United States should be accepted, and a general downward revision of the tariff undertaken forthwith in conformity with the principle herein enunciated."

The division on the resolution was taken on June 18, 1919. It was defeated by 120 votes to 70, a majority of 50 for the government. The members from the prairie provinces—since 1905 provinces in which there was a continuous and increasing agitation by the grain growers' associations against penalty duties in Dominion tariff—who voted for the amendment, were as follows:—Crerar, Marquette; Clark, Red Deer; J. A. Maharg, Maple Creek; Andrew Knox, Prince Albert; F. L. Davis, Nipawa; Levi Thompson, Qu'Appelle; John F. Reid, Mackerzie; F. J. Johnston, Last Mountain; J. M. Douglas, Stratheona; J. . Molloy, Provencher; W. A. Buchanan, Lethbridge; John A. Campbell, Nelson; and Thomas MacNutt, Sallcoats. With two exceptions the liberal opposition voted solidly for the McMaster amendment.—*Cf. house of commons debates, June 18, 1919.*

in the struggle that must inevitably come in Canada for democratic as distinct from privileged class control of fiscal policy.

Resignations from the cabinet on account of disagreements of ministers on questions of policy, or as to principles involved in government bills, so far in the history of the Dominion, have been infrequent. There were only five of such resignations in the twenty years preceding the war.³

Crerar's resignation was the first resignation of a minister because of disagreement with colleagues of the cabinet on a question affecting fiscal policy.

It is idle to speculate on what might have happened under certain conditions that might have developed, but that contrary to popular expectation, did not develop, nearly a quarter of a century ago. In view, however, of the hold that Cart-

³*Cf.*—Porritt, "Evolution of the Dominion of Canada: Its Government and its Politics," 374.

wright and Mowat had on the rank and file of the liberal party in Ontario for many years before the liberals assumed office at Ottawa, in 1896, and in view also of their public utterances on protection in the years 1876 to 1896—it would seem to-day that had Cartwright and Mowat resigned on the Fielding tariff of 1897 the course of the fiscal policy of the Dominion would have been beneficially affected.

Had Cartwright and Mowat established the precedent that it was left to Crerar to establish in 1919, the surrender of the liberal party to the privileged class might not have been frustrated, but it would not have been as complete and as continuous as it was from 1897 to 1907. The surrender, however, was complete.

From the preceding survey of tariff and bounty legislation of 1897-1907 it will also have been realized that until the liberal government ventured to assert a little independence¹ over the reciprocity agreement of 1911, it had served the privileged class every whit as well and as amply as the privileged class was served by conservative governments from 1879 to 1896.

It will, moreover, have now become apparent that Macphail in 1909 wrote only what was notoriously true,² when he de-

¹"The alarm was sounded. It was contained in an address to the electors by a manufacturer, who, on a previous occasion, had declared himself to be an 'ardent protectionist.' 'This agreement,' he declared, 'if ratified, spells the ultimate downfall of protection in Canada. There is to be free trade,' he protested, 'for half the community, and protection for the other half. How long, think you, can such conditions last? Will the farmer . . . consent to go on paying protection prices for what he consumes?' Andrew Macphail, "Protection in Canada", in "The Burden of Protection," 1912.

²"Canadian people—common, everyday people like you and me—have the battle before us. Our war is waged against the class of moneyed interests, gradually growing under the discrimination of protective tariffs, into huge trusts and combines, which threaten to crush

the life of the nation. But, as in Britain, so in Canada. As in matters of caste privilege, so in matters of trade. Abuse must lead to battle; and the people's battle can result in no other end than victory."—Sir Allen Aylesworth, at Newmarket, Ontario.—*Globe*, Toronto, August 14, 1911.

"Our politics are hopelessly entwined with our commerce. So much is this the case now that the rich men are the powerful men; for they can exert a strong influence on politics. The politics of our day are the apotheosis of the business man. There is no public opinion to-day outside that manufactured by the interests. Canada lacks an honest and independent public opinion."—"Interesting address to students at Convocation hall, by distinguished member of McGill faculty, Professor Stephen Leacock," reported in *The Gazette*, Montreal, January 14, 1912.

clared that the people of Canada lived under the government of an interested class which made one political party serve its turn as long as it was possible or expedient, and then took possession of the other political party, and used it also to similar anti-social ends.

CHAPTER XII.

THE VALUE TO THE PRIVILEGED CLASS OF THE CONTROL OF FISCAL POLICY.

For at least fifteen years after the enactment of the first national policy tariff in 1879, it was a theory with protectionists that while for a few years national policy tariffs must have the effect of increasing to consumers the cost of goods made in Canada, such increase in cost would, at most, be only temporary.

It was the politicians, as distinct from the manufacturers, who, as a rule, advanced this theory to smooth the way in and out of parliament for the enactment of tariffs for revenue with incidental protection to Canadian industries.

The theory of these politicians was that once manufacturing was well-developed, competition between Canadian manufacturers for Canadian trade would become so keen, and must continue to be so keen, that there would inevitably be a general and continuous lowering of costs of manufactured goods to Canadian consumers.

In other words, in the period from 1879 to 1894, the people of Canada were appealed to from Ottawa to bear patiently and patriotically the burdens thrown upon them by the protectionist tariffs of 1879, 1884 and 1894. They were asked by statesmen and politicians at Ottawa to accept their promises that the cost of manufactured goods would soon be reduced; and inferentially the people of Canada were also told

that higher duties than those of 1879-1894 would not be necessary.

The theory that internal competition would soon reduce prices survived at Ottawa long after combines and trusts had come into existence behind the protecting walls of national policy tariffs.

It was often advanced in the house of commons, even after legislation had been enacted in 1889 to protect consumers from the exactions of trusts and combines.

It was an argument that in the years from 1879 to 1896 was advanced only from the government side of the house of commons. These were the years, it will be recalled, during which the liberals opposed protection in any form, and session after session proclaimed that national policy tariffs were responsible for the slow development of the Dominion, and for the large emigration of Canadians to the United States.¹

After the liberals became as much protectionists as the conservatives of 1879-1896—after the liberal government of 1896-1907—had increased penalty duties in nearly every schedule of the tariff, the argument that internal competition would bring down prices was discarded. It originated with the conservatives; and the conservatives no longer had any use for it after both political parties had become the champions of the interests of the privileged class.

¹There is a chapter in the liberal campaign book of 1896 "Federal Elections, 1905," devoted to the exodus from Canada and the hardships and burdens of national policy tariffs. At page 63 in this chapter there are population figures for the decades 1871-1881 and 1881-1891. "During the decade 1871-1881," reads a paragraph in which the significance of the census returns is emphasized, "half of which was spent under liberal rule, and practically the whole of it under a revenue tariff, the growth of the older provinces was three times as great as the growth during the decade spent wholly under conservative rule, and under a protective tariff."

An excellent example of the form in which the argument was presented, and also of the service to which it was put, is to be found in the speech in which Foster, minister of finance, introduced the tariff act of 1894—the last tariff act of the conservative regime of 1878-1896.

"If there is to be a protective system at all," said Foster, "everybody knows that it must be higher in its inception than as the years gradually pass, when industries have become established, and when the industrial development grows apace. If a high degree of protection is necessary at any time, it is necessary in the initial years of a policy, which adopts the principle of protection as its basis."

"I have been frank to admit," continued the minister of finance, in his speech of March 27, 1894, "that in the initial stages of a protective policy the prices of goods manufactured will be enhanced. But I am here to state another fact. That is, that as capital invests itself, as industrial establishments multiply, as they become diversified throughout the country, the power of internal competition comes in to take the place of external competition—a competition in many cases more keen and destructive than foreign competition, owing to equal conditions of production and equal conditions of carriage and distribution in the country."¹

It will be realized from these quotations from Foster's speech of 1894 that if the appeal to the house of commons and to the Dominion at large, to bear patiently for a time with national policy tariffs meant anything—if it were sincerely made—it meant two things. Inferentially the appeal embodied a promise that penalty duties would not be increased above the level of those of 1879-1894.

¹House of commons debates, May 27, 1894.

The people of Canada, moreover, were told by the finance minister of 1894, that by reason of the national policy, and the temporary burdens it was then throwing upon consumers, manufacturing in Canada would soon be so greatly developed that prices of goods made in Canada must inevitably come down to near the level of prices at which manufacturers in the United Kingdom and the United States could furnish similar goods to consumers in Canada.

Conditions in the years from 1914 to 1919 were abnormal. As a consequence of the war, prices all over the world were unprecedentedly high. But in the years from 1894 to 1914, and especially in the decade that preceded the war, most people in Canada were uncomfortably conscious of the fact that prices were much higher than in the eighties, and that prices were constantly moving upwards.

No such relief as Foster foreshadowed in 1894, ever came to Canadian consumers as a result of development in manufacturing in the Dominion due to national policy tariff from 1879 to 1907. Moreover, as prices moved upwards, there were also increases in the ad valorem rates of protectionist or penalty duties in national policy tariffs.

Such increases were inevitable after the privileged class was in control of the liberal as well as the conservative party. They were inevitable after it was possible for the privileged class to control fiscal policy regardless of whether a liberal or a conservative government was in power at Ottawa.

It is conceivable that the privileged class, after it had captured the liberal party in 1896-1897, and knew that it could have the conservative party whenever it needed it in its business, might have played safe, so as not to arouse hostility to its power.

With "safety first," as its guiding principle in politics, it is conceivable that the privileged class might have been content that protectionist duties should remain at the level at which they were fixed by the last of the tariff acts of the conservative and national policy administrations of 1878-1896—as they were fixed by the tariff act of 1894.

Canadian industry was amply protected by the tariff of 1894; for the conservative governments of those years—years of the red parlor—were always ready to accommodate the privileged class, and bestow on its members any largess they persistently demanded.

History, however, records the fact that under the liberal regime of 1896-1911 the privileged class was not content with the protectionist duties in the tariff act that was on the statute book when the conservatives went out of office in 1896.

At least some of the members of the privileged class demanded more protection at the revision of the tariff in 1897. Nearly every member of this class asked for more protection at the revision of 1906-1907; and at each revision, but especially at the revision of 1906-1907, more protection was conceded to the privileged class.

As a class it gained enormously during the liberal regime. It made progress without precedent in the history of privileged classes in the English-speaking world. There is no parallel in the history of any English-speaking country to the story of the aggrandizement of the privileged class of Canada in the period from 1896 to 1911.

There were in these years, as will become apparent from a statistical table which will be found in a subsequent chapter, many and quite considerable increases in penalty duties.

These increases were made at the revisions of the tariff in 1897, 1904¹ and 1907.²

The British preferential tariff—the one redeeming feature of the fiscal policy of the liberal regime—was in the years from 1904 to 1907 greatly curtailed. It was curtailed, it need not be said, at the dictation and in the interest of the privileged class.

Anti-dumping sections—contrivances for adding to the protection of manufacturers—were embodied in national policy tariffs for the first time during the years the liberals were in control at Ottawa. A sub-division of the department of customs, with a staff of experts, was, moreover, created, so as to secure that all possible advantage should accrue to the protected manufacturers from these safeguards against dumping.

The bounty system, which had been established by a conservative government in 1883, was greatly extended. Its cost to the Dominion was increased almost forty fold.

At least one "made-in-Canada" law—the amendment to the railway code of 1900³—was enacted; and the purchasing policy of state departments—such for instance as the department of marine and fisheries—was also altered to harmonize with the "made-in-Canada" idea, promulgated by the Canadian manufacturers' association.

¹At a partial revision of the tariff in 1904 the first curtailment of the British preferential tariff was made in the interest of manufacturers of woollen goods in Canada.

"We frequently hear it said that the tariff is for what some people are pleased to term the privileged or big interests, or the special class. I have been in the manufacturing business all my life, and I have no hesitation in saying that if the tariff were framed in the interests of manufacturers alone it would prove a very poor tariff from their point of view."—C. C. Ballantyne, ex-president of Canadian manufacturers' association, house of commons debates, June 9, 1919.

³63-64, Victoria, C. 58.

It is now conceded also that in the years from the incoming of the liberal administration in 1896 to the incoming of the conservative administration in 1911, the privileged class was permitted to draw to itself a new and sinister power.

During the conservative regime of 1878-1896, notwithstanding the obvious power which the privileged class exercised over the framing of the tariff acts of 1879, 1884, and 1894, it was never suggested that it actively concerned itself with the organization and personnel of Dominion cabinets. It manifestly began to concern itself with this function of a prime minister some time between the general election of 1896, and the formation of the first of the liberal cabinets of 1896-1911.

As a result of this intervention, Cartwright, the foremost authority on finance and trade of the liberal opposition of 1878-1896 was thrust aside; and there was named as minister of finance, the author of the tariff acts of 1897 and 1907, who was also the minister responsible for the iron and steel bounty acts of 1897, 1899, and 1907.

At the formation of the cabinet of 1911-1917—the cabinet that was supported in the house of commons by a conservative majority—the foremost authority on finance and trade of the conservative opposition of 1896-1911 was similarly thrust aside, despite the fact that in 1894 he had introduced and carried through the house of commons the last of the national policy tariff acts of the regime of 1878-1896.

Manifestly, what the privileged class and its allies and associates of the world of finance in 1911 desired for the highly important office of minister of finance, was a man of their own order, and a man with intimate relations and sympathies with the protected manufacturers, and the word of the privileged class apparently carried.

The net result of the liberal regime, and of the developments at the formation of the conservative administration of 1911-1917, was that when the house of commons elected in 1911 assembled for its first session the privileged class was in a peculiarly strong position.

It had used both political parties in the period from 1879 to 1911. Both had served it well.

It was, as a consequence of services thus rendered by both political parties, more deeply and more firmly entrenched in the political system—in a better position to dictate the fiscal and trade policy of the Dominion—than at any time since it was, as a class, created by the conservative national policy tariff act of 1879.

CHAPTER XIII.

PRIVILEGED CLASS CONTROL OF TARIFF LEGISLATION—ITS EFFECT ON THE PROTECTIONIST SYSTEM OF CANADA FROM 1838 TO 1919

A privileged class in Canada, with statutory power to exact toll from consumers, it will be recalled, ante-dates the era of national policy tariffs which began in 1879. Such a class, basing its power on statutes enacted by a Canadian legislature or parliament, first came into existence under the tariff acts of 1858 and 1859—acts, which it will also be recalled, were of effect only in the provinces of Upper and Lower Canada.

But an examination of the tariff acts of the united provinces of 1841-1867, and also of the tariff acts of the parliament of the Dominion of Canada from 1867 to 1879, affords no ground for assuming that the privileged class of Upper and Lower Canada, at any time from 1858 to 1867, exercised a continuous influence over fiscal policy, comparable with the power which the privileged class of the Dominion of Canada manifestly exercised from 1879 to the partial revision of the tariff in June, 1919.

As compared with penalty duties in tariffs enacted at Ottawa, the penalty duties in the tariffs of 1858 and 1859 can be described as moderate.

In the act of 1858—known in fiscal history as Cayley's tariff—there were eighty duties of twenty per cent; and four

duties of twenty-five per cent. The duties of twenty-five per cent., like the duties of twenty per cent., were enacted as protectionist duties.

These duties were imposed on manufactures of leather—boots and shoes, and harness and saddlery—and also on clothing or wearing apparel. All these manufactures were thrown into one schedule. On all of them there was a flat rate of twenty-five per cent. Mowing and reaping machines, it is interesting to note, under the Cayley tariff, paid duty at the rate of twenty per cent.

The highest duties in the act of 1859, in the Galt tariff—which is the most memorable tariff act in the constitutional history of British oversea dominions—were on sugar. On refined sugar the duty—in the interest of a refinery in Montreal—was at the rate of forty per cent. On candied and crushed sugar, the rate was thirty-five per cent; and on white bastard sugar it was twenty-five per cent.

On soap, there was a protectionist duty of thirty per cent. Starch, spices, dried fruits, and blacking, also paid duties at the rate of thirty per cent. On boots and shoes, harness and saddlery, and wearing apparel, by the act of 1859, duties were continued at the rate of twenty-five per cent; and except as regards manufactures, enumerated in the preceding paragraphs, there was in Galt's tariff of 1859 not much variation from the rates of protectionist duties imposed by the tariff of 1858.

Until after confederation the tariffs of 1858 and 1859 were the only successes of the protectionist movement in the Canadas, or in fact in any of the British North American provinces,¹ east of the Rocky mountains.

¹British Columbia had a protectionist tariff before it entered Confederation in 1871.

Between 1858-1859, and Confederation in 1867, the protected manufacturers of Toronto, Hamilton, and Montreal evidently lost part of the grip they had had on the legislature of the united provinces at the time the Cayley and the Galt tariffs were introduced.

It is beyond dispute that the manufacturers exercised great influence on the administrations of 1858-1859; for both Cayley and Galt, and Galt in particular, were as ready to accommodate them as were any of the finance ministers of the Dominion of Canada of the era of 1879-1919, to bestow tariff largess on the privileged class that was created in 1879 by Macdonald and the conservatives.

The liberal party of the united provinces in 1858 and 1859 offered resolute opposition to the creation of a privileged class. George Brown, both in the legislature, and in his newspaper *The Globe*, of Toronto, wrought against the adoption of a protectionist policy for the Canadas with as much vigour as Cartwright assailed national policy tariffs for the Dominion of Canada from 1877 to his acceptance of the office of minister of trade and commerce, in the liberal administration that was formed in June, 1896.

Statesmen of both political parties in the Canadas were exceedingly anxious that all the maritime provinces—provinces in which from 1846 to Confederation protectionist duties were never enacted—should come into the union of the British North American provinces.

As a consequence of this anxiety of both political parties to carry the scheme for confederation, the protectionist movement in the Canadas—the movement that achieved its first successes when the tariffs of 1858 and 1859 were carried through the legislature—either lost impetus, or as a matter of

policy was permitted by the conservative party to fall into the background.

In the middle sixties the protectionist movement, which had endangered the reciprocity treaty of 1854, and at one time threatened to become an obstacle to Confederation, fell so much into the background that the protected manufacturers of the Canadas lost part of the tariff largess that had been bestowed on them in 1858 and 1859.

In 1866, when the tariff of the Canadas was revised, duties on manufactures were reduced to fifteen per cent. The only imports on which a higher duty—a duty of twenty-five per cent. was levied—were spices, patent medicines, perfumery, and similar articles, long regarded as articles on which revenue duties may reasonably be imposed.

It is usually possible to ascertain roughly the general rate of duties in a tariff from the rate on, what in the phraseology of tariff laws, are described as "unenumerated articles". In the tariff of 1866 of the Canadas—the last tariff act passed by the legislature of the era of 1841-1867, and the tariff which was in service in the initial years of Confederation—the rate on unenumerated articles was fifteen per cent.

In itself this rate is proof that the privileged class of the Canadas, created in 1858-1859, lost much ground in the years from 1859 to 1866. Obviously it never exercised any power over the liberal party of the Canadas similar to that which the privileged class of the Dominion of Canada exercised over the liberal governments of 1896-1911.

Conservative governments were responsible for the enactment of the protectionist tariffs of 1858-1859; and after Confederation, in 1867, Macdonald and the conservatives attempted to give new life to the protectionist movement by the

enactment in 1870, of a national policy tariff. This tariff was tried for a year, and then repealed.

It was abandoned because in 1871 conservatives in the house of commons, who usually followed the lead of Macdonald, joined forces with the liberals under the lead of Alexander Mackenzie, and compelled the government to repeal the duties on coal and flour—protectionist duties embodied in the act of 1870 in the interest of mine owners in Nova Scotia, and millers in Ontario.

One of the reasons advanced in favor of the first of the national policy tariffs of the Dominion of Canada—one of the reasons proclaimed by Macdonald—was that duties on American coal and American flour would force the government at Washington to renew the reciprocity treaty of 1854, which, at the instance of the Washington government, came to an end in 1866.

The tariff of 1870, with these retaliatory duties, was ignored at Washington. So were the offers of reciprocity embodied in all the tariff acts of the Dominion from 1867 to 1894; and there never were any overtures for reciprocity from Washington to Ottawa until the overtures made by the Taft administration in 1910.

It will, by this time, have been realized that while there were protectionist tariffs in Canada before 1879,¹ and also that while the beginning of a privileged class in British North America dates back to 1858-1859, it was not until 1879 that there was created a privileged class in the Dominion that for forty years at least was to control the fiscal policy of governments of both political parties.

¹In the years immediately preceding the enactment of the national policy of 1879, the general rate of duties in the tariff was seventeen and a half per cent. At Confederation, it will be recalled, the rate was fifteen per cent.

The privileged class, as it exists today, was brought into being by the conservative governments of 1878-1896, it manifestly owes its continuance from 1896 to 1911, and also much of its existing large power to exact toll from consumers, as well as part of its strongly entrenched position in the political life of the Dominion, to the liberal governments of the Laurier regime.

These governments of 1896-1911 contributed both to the material gains of the privileged class, and to its political power. In political life its greatest gains accrued to it in 1896, when it was permitted to have voice in the nomination of the minister of finance, and also to determine the fiscal policy of the liberal government.

There can be no better way of demonstrating the material value to the privileged class, of its power to determine fiscal policy, regardless of whether a conservative or a liberal government is in power, than an analysis of the protectionist or penalty duties in national policy tariffs from 1879 to 1907.¹

The accompanying table presents in statistical form the results of such an analysis. In presenting the table it must be explained that in compiling it I excluded (1) all duties under fifteen per cent.; and (2) all duties imposed on wines and liquors, and also on tobacco and patent medicines. My plan was to include only duties on manufactures and foodstuffs. It must also be explained that in the national policy tariffs of 1879 and 1884 there were compound, or mixed duties, in the cotton and woollen schedules.²

¹Conditions were abnormal at the time the tariff act of 1907 was amended in 1915 and 1919. The world from end to end was dislocated by the war of 1914-1918. Dislocation continued for months after the armistice of November, 1918. Under these circumstances it seemed to me that the fairest way of compiling the table of duties was to include only the duties of the tariffs of 1879, 1884, 1894, 1897 and 1907.

²Examples taken from the tariff act of 1884 will illustrate what is meant by a mixed or compound duty:—

"Item 61—All cotton denims, drillings, bedtickings, gingham, plaids, cotton or canton flannels, ducks and drills, dyed or colored, checked and striped shirtings, cottonades, Kentucky jeans, pantaloons, stuffs, and goods of like description, two cents per square yard, and fifteen per cent. ad valorem."

"Item 264—Clothing, ready-made, and wearing apparel, of every description, composed wholly or in part of wool, worsted, the hair of the Alpaca goat, or other like animal, ten cents per pound, and in addition thereto twenty-five per cent. ad valorem."

Nearly all these compound duties were abandoned at the revision of the tariff in 1894.¹ Straight ad valorem duties were substituted for them, because ad valorem duties as Foster, minister of finance, explained to the house of commons² lessened confusion in the schedules.

It must be noted also that at the revision of the tariff by the liberal government in 1897 lower duties were enacted on imports from the United Kingdom, than on imports from the United States and other non-British countries.

The vicissitudes of the preferential tariff will be traced in a subsequent chapter. In this preface to the table of duties of 1879-1907 it is only necessary to recall the enactment of the preferential tariff, and to add that the duties in the table, as respects the tariffs of 1897 and 1907, are those of the general list. They were the duties levied on imports from the United States, and all other non-British countries, which, unlike France, do not have agreements for reciprocal trade with the Dominion of Canada.

With these explanations in mind the accompanying table of duties in the tariffs of 1879, 1884 and 1894—tariffs for which conservative governments were responsible—and the tariffs of 1897 and 1907 for which liberal governments were responsible, tells its own story.

¹They were continued only in the woolen schedules.

²March 27, 1894.

²TABLE SHOWING UPWARD MOVEMENT IN AD VALOREM DUTIES IN TARIFFS OF THE DOMINION OF CANADA FROM 1879 to 1907.

Tariff	Mixed	Specific	15	17½	20	22½	25	27½	30	32½	35	37½
1879	40	62	15	2	61	1	43	..	29	..	3	..
1884	36	117	20	2	64	1	70	2	51	..	12	..
1894	36	147	16	4	56	4	79	6	59	3	38	..
1897	5	109	25	1	49	1	81	1	70	..	52*	..
1907	2	109	19	1	40	9	71	11	51	4	50*	5

Only in one tariff enacted by a legislature or parliament in Canada in the seventy-eight years from the adoption of free trade by England to the beginning of the great war, was there ever a straight ad valorem duty that was higher than the highest duties in the tariff of 1907.

In the Galt tariff of 1859 there was, it will be remembered, a duty of forty per cent. on refined sugar. It was imposed in the interest of the Redpath refinery at Montreal. It was the highest ad valorem duty ever levied under the protectionist tariffs of the united provinces of Upper and Lower Canada—tariffs in which there were not more than a half a dozen protectionist duties in excess of twenty-five per cent.

The duty on refined sugar in the tariff of 1859, moreover, was the highest ad valorem duty ever enacted with a view to the protection of home industries in Canada, either before or after Confederation, until the general upward revision of the Dominion tariff, which was made in the second year of the war.

*In one of the debates on the tariff, in the session of 1877—a session in which Macdonald and the conservatives were pushing the propaganda for protection—there was a speech by Laurier, in opposition to national policy tariffs. "The exigencies of the tariff," said Laurier—March 22, 1877,—"had already increased duties to 17½ per cent.; and this was as much protection as was necessary for the manufacturer, and as much as the country could bear. If the national policy had any basis at all, it was that the bread of the people should be taxed. It was an inhuman policy that would make fuel and bread dearer."

By that revision, made by the conservative government of 1911-1917, in February, 1915, protectionist duties in the tariff of 1907 were, in many instances, advanced from thirty-five per cent. to forty-two-and-a-half per cent. in the general list. In a few instances there were protectionist duties as high as forty-five per cent. These abnormally high duties were operative from February, 1915, to June, 1919. Some of them survived the downward revision of 1919.

It is now sixty years since protectionist tariffs were first enacted in Canada. In this period it is difficult to recall more than three revisions which were in the interest of consumers. All the changes that were made in 1866 were in their interest. So was the repeal, in 1871, of the duties on flour and coal, which had been embodied in the abortive national policy tariff of 1870.

Manifestly the repeal in 1919 of most, but by no means of all, the increases in duties made in 1915, was to the same end. It was to relieve consumers of the burden of the war-time five per cent. increase in the British preferential tariff,¹ and of the seven-and-a-half per cent. increase in the general tariff, as well

"The war," said the *Ottawa Citizen*, in discussing the increase of duties on imports from the United Kingdom, enacted in 1915, "has provided the occasion to confer further privileges upon protected interests in Canada. The sacred tariff has been increased all round. Even the astute feat of flapping the British flag, and at the same time (while the motherland is at war) imposing an additional customs tax against British trade, has been successfully carried out. Before the session is ended it should indeed be gratifying to learn how successfully the anti-British customs tax in this Dominion is working. British merchants are now finding it more difficult to get a market. For the month of March exports from Britain, to overseas countries, decreased by \$71,710,000. German submarines and Canadian tariffs, both inspired by the same idea of destroying British trade, should be awarded a combined vote of thanks in the house of pretence."—Quoted in *Tribune*, Winnipeg, April 20, 1915.

as to afford a small measure of relief to purchasers of farm equipment, that the tariff was revised in the first session of parliament after the armistice of November, 1918.

Two of the revisions in the interest of consumers—the revisions of 1866 and 1871—were made during a period in which the privileged class was not in control of fiscal policy.

The third—the revision of 1919—was made under special conditions—under conditions due to the ending of the war, which made it practically impossible for the privileged class to demand, or for the union government to concede to it, a continuation of the war-time tariff of 1915.

All the revisions of the Dominion tariff, from that of 1879 to that of 1915, were revisions in the interest of the privileged class; and the one obvious lesson to be derived from the history of the protectionist system in Canada from 1879 to 1915 is that there can be no general downward revision of tariffs until the electors recover control of fiscal policy.

Material gain, due to larger power to exact toll from consumers, must continue to accrue to the privileged class until a really democratic control of fiscal policy is substituted for the control of this policy exercised by the privileged class since the enactment of the national policy tariff of 1879.

Privileged classes, the world over, and in all ages, tend towards Bourbonism with each increase in power or with long continuance of power. That was the history of the privileged class in England that profited from the corn laws. As late as 1843 and 1844 it used its power in order to deny a small preferential advantage to wheat imported into the United Kingdom from Australia.

The privileged class in the United States, that owes its existence to tariff laws, never conceded anything to consumers as long as the political party that created it was in power at

Washington. On the contrary, from 1890 to 1910 it exerted its influence with the republican party to secure enlargements of its power to exact toll from consumers. Relief to consumers came only when the democratic party was in control of congress and of the administration.

As has been emphasised elsewhere in these pages a change in the political complexion of the administration at Ottawa brings no relief to consumers in Canada. As long as existing conditions continue, it is manifestly quite immaterial to people who pay toll to the privileged class whether a conservative or a liberal government is in power.

Only a complete dislodgement of the privileged class from the peculiar position it has made for itself in the political system will bring either a large curtailment, or an end to its power to compel eight million people in Canada, either to buy "made-in-Canada" goods at "made-in-Canada" prices, or pay the high penalty duties, that, at the instigation of the privileged class, are enacted in protectionist tariffs.

CHAPTER XIV.

THE CLAIM THAT MEASURES OF THE LIBERAL GOVERNMENT OF 1896-1911 AFFORDED RELIEF TO CONSUMERS.

In preceding chapters it has been told how enormously the privileged class in Canada was aggrandized by its capture and control of the liberal party in the years from 1896 to 1907. It is sometimes claimed for the liberal party that it did not concede everything that was demanded by the privileged class.

It is claimed, moreover, that as the result of legislation enacted at the instance of liberal governments, there was some relief to consumers from the burdens of protectionist tariffs.

There can be no dispute concerning the first of these claims. It is a matter of history that in 1905-1907 the protected manufacturers persistently appealed to the tariff commission for duties as high as those of the Dingley tariff of 1897, and that this appeal was denied by the Laurier government.

Nearly every manufacturer who appeared before the tariff commission was, however, conceded an increase in the duties for the protection of his undertaking. These increases ranged from two-and-a-half to five per cent.

It was these concessions that made the tariff act of 1907 the most protectionist measure enacted in any part of the British empire in the three quarters of a century from the adoption of free trade in England to the beginning of the war in 1914.

But while these concessions resulted in many duties of thirty-five per cent., and in a few duties as high as thirty-seven and a half per cent., in none of the schedules of the act of 1907 were there protectionist duties as high as those in the textile and other of the manufacturing schedules of the United States tariff of 1897.

It is now also part of the history of the national policy from 1879 to 1919, that in 1910 the liberal government refused to renew the legislation on which the bounty system for the iron and steel industry was based.

Much pressure was exercised by the privileged class, or at any rate by an influential division of that class, to secure a continuance of the system under which during the liberal regime of 1896-1911 seventeen million dollars were bestowed on iron and steel companies, owning furnaces and rolling mills at Sydney, North Sydney, and Londonderry in the province of Nova Scotia, and at Hamilton, Midland, and Sault Ste. Marie, in the province of Ontario.

About this time, however, the organized grain growers of the prairie provinces, and the organized farmers of Ontario, were becoming an important factor in dominion politics, and were vigorously challenging privileged class control of fiscal and trade policy.¹

The grain growers' and farmers' movement achieved its first success in regard to fiscal and trade policy in 1910. It was in 1910 that the liberal government was impelled by the grain growers' and farmers' opposition to special privileges for a favored class to (1) permit the legislation on which the bounty system was based to expire; and (2) to accept the overtures from Washington for reciprocal trade between Canada and the United States.

Six years later—in December, 1916—The Canadian council of agriculture formulated the farmers' platform—a platform that was subsequently endorsed and accepted at the annual conventions of the united farmers of Ontario, the Manitoba grain growers' association, the

Saskatchewan grain growers' association, and the united farmers of Alberta.

In this platform of 1916 the burdens and corruptions of the protectionist system were described much as they were described in the Ottawa liberal programme of 1893. "Therefore be it resolved," continues the fiscal resolution embodied in the farmers' platform, "that the Canadian council of agriculture, representing the organized farmers of Canada, urges that, as a means of remedying these evils, and bringing about much needed social and economic reforms, our tariff laws should be amended as follows:—

(a) By an immediate and substantial all-round reduction of the customs tariff.

(b) By reducing the customs duty on goods imported from Great Britain to one-half the rates charged under the general tariff, and that further gradual, uniform reductions may be made in the remaining tariff on British imports that will ensure complete free trade between Great Britain and Canada in five years.

(c) That the reciprocity agreement of 1911, which still remains on the United States statute books, be accepted by the parliament of Canada.

(d) That all foodstuffs, not included in the reciprocity agreement, be placed on the free list.

(e) That agricultural implements, farm machinery, vehicles, fertilizers, coal, lumber, cement, illuminating, fuel, and lubricating oils, be placed on the free list; and that all raw materials and machinery used in their manufacture also be placed on the free list.

(f) That all tariff concessions granted to other countries be immediately extended to Great Britain.

(g) That all corporations engaged in the manufacture of products protected by the customs tariff be obliged to publish annually comprehensive and accurate statements of their earnings.

(h) That every claim for tariff protection by any industry should be heard publicly before a special committee of parliament.

The liberal government was afraid of the new agrarian movement. It was unwilling to antagonize it by a renewal of the iron and steel bounties. Accordingly, despite pressure from the tariff-created privileged class, there was no further special legislation for the iron and steel companies; and at the end of the fiscal year, 1910-1911, bounties on the production of pig iron, steel ingots, and wire rods, ceased to be paid.

A second claim, persistently made in behalf of the liberal government of 1896-1911, is that by part of its fiscal and trade legislation, consumers were to some extent relieved from the burdens of the tariff. This claim is based (1) on reductions in duties on some agricultural implements, made at the revision of the tariff in 1897; and (2) on the British preferential tariff, which was also enacted in 1897.

The reductions in 1897 in the duties on agricultural implements were too small to warrant attention. They were, moreover, rendered of little account because of a new system of valuing agricultural implements for customs duties, which practically left the manufacturers of Ontario with as much protection as had been afforded them by the tariff of 1894 of the conservative government.

The only relief afforded consumers, tightly corralled in the interest of the privileged class of protected manufacturers, was that which resulted from the British preferential tariff. Even this small measure of relief was not general. It was far from general; for the farming and wage-earning population of the Dominion, except perhaps as regards some textiles and china-ware, are not large purchasers of the high-class manufactures exported from the United Kingdom.

In attempting to estimate relief to consumers resulting from liberal legislation it must, moreover, always be kept in mind that the British preferential tariff, as it stood after the revision of 1907, was not nearly of as much service to purchasers in Canada as it was in the period from July 1, 1898, to the partial revision of the tariff in 1904.

The legislative history of the preferential tariff is not difficult to trace. The preferential tariff was enacted on April 23, 1897; and until June 30, 1898, imports from the United Kingdom—except, of course, liquors and tobacco on which

revenue duties are levied—paid seven-eighths of the duties levied on similar imports from countries to which preferential rates had not been conceded.

From July 1, 1898, until July 1, 1900, imports from the United Kingdom paid three-fourths of the ordinary duties, and from July 1, 1900, until the partial revision of the tariff in 1904, two-thirds. From the point of view of British trade with Canada, and also from the point of view of Canadian purchasers of British manufactures, the preferential tariff was at its best in the four years from 1900 to 1904.

But almost continuously from 1897 to 1904 there was a propaganda against these lower protectionist duties on imports from the United Kingdom. It was waged by the privileged class generally, although in these seven years chiefly in the interest of Canadian woollen manufacturers. Under the conservative tariff of 1894 Canadian woollen mills were protected against competition from the United Kingdom by duties of thirty per cent.

At the revision of the tariff in 1897 some of the woollen duties were re-enacted at the old rate of thirty per cent; and on a large range of goods,¹ a straight ad valorem duty of thirty-five per cent. was substituted for a compound duty of five cents per pound and twenty-five per cent. ad valorem.

In the years from 1900 to 1904 imports of these manufactures from England, Scotland, and Ireland, paid only two-thirds of these duties. It was these comparatively small reductions that led to the agitation of 1898-1904, and to a revision of the woollen schedule in August, 1904, in the interest, of course, of the woollen industry in Canada.

¹Wearing apparel, ready-made clothing, blankets, bed comforters or counterpanes, flannels, cloths, doeskins, cashmeres, tweeds, coatings, overcoatings and felt cloth.

At this revision the British preferential tariff was so amended as to provide that on a large range of woollen goods, imported from the United Kingdom, the duty should not be less than thirty per cent.

Except for this amendment, from August 10, 1904, to April 12, 1907,¹ the preferential tariff remained on the basis on which it was placed on July 1, 1900. Imports from the United Kingdom, other than certain lines of woollen goods, paid only three-fourths of the duties in the general tariff from 1898 to 1900, and two-thirds from 1900 to 1907. For some consumers in Canada there was a measure of relief from tariff burdens as a result of the concession made to the United Kingdom in 1897.

In the decade from 1897 to 1907 there was thus only one inroad on the preferential tariff. But after the woollen manufacturers, in 1904, had been conceded more protection against competition from the United Kingdom, the attack of the privileged class on the preferential tariff became general.

It was assailed at conventions of the Canadian manufacturers' association; assailed with continuity and vigor, also with much outspokenness, by conservative members in the house of commons; and it was also assailed in the conservative and opposition press.

The catch phrase of this propaganda of 1904-1906 was that all Canadian industries must be adequately protected by the tariff against all outside competition. It was insisted, moreover, that it was as essential to Canadian manufacturers that they should be fully protected from competition from the United Kingdom as it was that they should be protected from competition from the United States.

¹These were the dates on which the tariff acts of 1904 and 1907 received the assent of the governor-general.

It was this agitation, and a contemporaneous agitation for duties in the Canadian tariff as high as those in the United States tariff of 1897-1910, that brought about the appointment of the tariff commission of 1905-6, and the upward revision of the tariff in the parliamentary session of 1906-1907.

The reopening of the tariff question by the government was in itself a notable achievement for the privileged class. It was one of the series of great achievements by the privileged class during the liberal regime of 1896-1911.

No popular agitation against high duties in the tariff would have been as promptly responded to by the government, as was its response to the demand of the protected manufacturers, who, in 1903-04, were intent on the revision of the tariff, in order to secure higher duties against imports from the United States, and a curtailment of the concession made in 1897 to manufacturers in the United Kingdom.

As will be remembered the tariff commission of 1905-1906 held public sessions in every city from Vancouver to Halifax. Ninety-five per cent. of the men who appeared at these sessions asked for higher penalty duties than those in the tariff of 1897; and at nearly every city from Windsor, Ontario, to St. John, New Brunswick, there were petitions for curtailments of the British preference tariff.

It was my fortune to travel with the commission through the provinces of Ontario, Quebec, New Brunswick, and Nova Scotia; and time and again, at the public sessions at centres of manufacturing in Ontario, Quebec, and New Brunswick, I heard competition from the United Kingdom glibly described as "foreign."

At the revision of the tariff at the parliamentary session of 1906-1907, as has been stated on an earlier page, some addition-

al tariff largess was granted to most of the manufacturers who had appeared before the tariff commission.

It was to facilitate these concessions—concessions that involved curtailments of the preferential tariff, as well as higher penalty duties against imports from the United States—that at this memorable revision, the plan of 1897 of uniform reductions in duties in favor of imports from the United Kingdom was abandoned.

From 1897 to 1907 one general principle ran through the preferential tariff. It was a principle that was easy to understand. With this principle in service, moreover, it was easy to note when inroads similar to that of 1904 were made in the preferential tariff.

Manifestly the principle of 1897-1907 was an excellent one—the best for its service that could have been devised. But manifestly also it did not easily accommodate itself to Canadian manufacturers anxious to secure larger penalty duties on imports from the United Kingdom, or to politicians at Ottawa eager to concede to these manufacturers more protection against the competition of manufacturers in England, Scotland and Ireland.

The old plan was regarded as too rigid, as lacking elasticity; and it was at this juncture in the history of the preferential tariff that there was devised the plan of a tariff with three sets of rates of duties—British preferential; intermediate; and general—which has been in service since 1907.

The accompanying facsimile of page 41 of the tariff act of 1907 will serve to illustrate the plan for the British preferential tariff, that was adopted after the plan of 1897-1907, and the concession it embodied to manufacturers in the United

Kingdom, had been long, generally, and successfully assailed by the privileged class of Canada.

Tariff Items.	British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
524 Cotton duck, gray or white, weighing over eight ounces per square yard	15 p.c.	17 ½ p.c.	20 p.c.
524a Seamless cotton or linen duck, in circular form, of a class or kind not made in Canada, for use in the manufacture of hose pipe...	Free.	Free.	Free.
525 Stair linen, diaper, doylies, tray cloths, sheets, quilts, counterpanes, towels, and pillow cases of cotton or linen; uncoloured damask of linen or cotton in the piece, including uncoloured table cloths or napkins of linen or cotton	20 p.c.	27 ½ p.c.	30 p.c.
526 White and cream coloured lace and embroideries, of cotton or linen...	12 ½ p.c.	17 ½ p.c.	20 p.c.
527 Jeans, asteens, and coultis when imported by manufacturers of corsets and dress stays, for use exclusively in the manufacture of such articles in their own factories	12 ½ p.c.	17 ½ p.c.	20 p.c.
528 Webbing, non-elastic, when imported by manufacturers of suspenders for use exclusively in the manufacture of such articles in their own factories	12 ½ p.c.	17 ½ p.c.	20 p.c.
529 Prunella cloth of wool	Free.	Free.	Free.
530 Bolting cloth, not made up	Free.	Free.	Free.
531 Cloth such as is used for covering the outside of books, when imported for use exclusively in binding books, under regulations by the Minister of Customs	Free.	Free.	Free.
532 Coir and coir yarn; raw cotton or cotton wool not dyed; cotton yarns, number forty and finer	Free.	Free.	Free.
533 Waste or shoddy from cotton, woolen or other fabrics or from yarn or thread, machined, garnetted or prepared for use	7 ½ p.c.	10 p.c.	12 ½ p.c.
534 Cotton yarn, polished or glazed, when imported by manufacturers of shoe laces for use exclusively in the manufacture of such articles in their own factories	Free.	Free.	Free.
535 See Tariff Amendment, 1913.			
536 Cotton or linen thread, n.o.p.; crochet and knitting cotton	17 ½ p.c.	22 ½ p.c.	25 p.c.
537 Manufactures of cotton, hemp, or of which cotton, hemp or flax is the component material of chief value, n.o.p.	25 p.c.	30 p.c.	35 p.c.
538 Manufactures of jute, n.o.p.	15 p.c.	22 ½ p.c.	25 p.c.

All that need be added concerning the form of tariff now in service is that rates in the intermediate column apply only to countries with which Canada has treaties for reciprocal trade; and that imports from the United States pay the duties entered in the third or general column.

There were numerous curtailments of the British preferential tariff in 1907. They were all nicely camouflaged by the new form into which the tariff was then moulded.

As a measure of relief to consumers the preferential tariff was of most service in the years from 1898 to 1907. It was in these years, it need not be recalled, that it was most continuously and most successfully assailed by the statutory privileged class—usually the class in Canada that is most demonstrative and vociferous in its admiration of Great Britain.

The privileged class is always ready and equipped to make much public noise when it imagines that the tie with Great Britain is in danger.¹ But it is always even more ready to worry the life out of any government at Ottawa that is disposed to reduce the penalty duties on imports from the United Kingdom.

In examining the claims made in behalf of the liberal party that in the years from 1896 to 1911 it implemented at least part of the pledges regarding the fiscal system embodied in the Ottawa programme of 1893, note must also be taken of the claim that, at the instance of the liberal government, legis-

¹Macphail in describing the methods and tactics resorted to by the privileged class to defeat the reciprocity agreement of 1911, declared that the naked truth was that the liberal government was defeated by the charge that all who dared support the agreement were in posse or in esse disloyal. "And this monstrous stigma that loyalty to the King is inseparable from loyalty to protection, has been affixed to the 618,948 persons who voted for the measure, and formed 48 per cent. of the electorate."—Macphail, "Protection in Canada," in "The Burden of Protection."

lation was enacted in 1897, and again in 1910, to curb the power of trusts and combines.

Relief from the exactions of these tariff protected organizations' was for thirteen years—1897-1910—supposed to have been secured under section XVIII of the first high protectionist tariff for which a liberal government at Ottawa was responsible.

But there were no teeth in this anti-combine enactment of 1897. Section XVIII of the law of 1897 might, in fact, have been drafted for the government by a lawyer, long in the service of trusts and combines, and loyal to the interests of these anti-social and predatory organizations. It was nearly as harmless to trusts and combines as a similar law that was enacted in 1889, during the conservative regime of 1878-1896.

Only publishers of newspapers ever obtained relief under section XVIII of the tariff act of 1897. Relief in this case, moreover, was obtained only at a cost that would have been prohibitive to consumers smarting under the exactions of trusts—consumers who were not organized in an association, with a substantial account at its bankers, ear-marked for defence against trusts and combines.

The history of section XVIII—the story of how and why it came to be embodied in the tariff of 1897—has yet to be written. But sufficient of its history is known to warrant the statement that the liberal government did not desire to offend its new patrons, the protected manufacturers, by embodying any such section in the tariff act.

It was the organized newspaper publishers of Ontario—the men who in 1901 obtained much needed relief under the sec-

"It is in the tariff schedules that half of the monopolies of the country have found cover and protection and opportunity."—Woodrow Wilson, August 26, 1911.

tion—who pressed for its inclusion in the Fielding tariff. For a time the government hesitated at conceding the demand. Reprisals were threatened by publishers of both liberal and conservative newspapers.

Finally the government gave way. A niche was found in the bill for section XVIII. It was enacted with the rest of the tariff. But its direct value to consumers generally may be judged from the fact that from 1897 to 1910 newspaper publishers, burdened by the exactions of a combine of manufacturers of white paper,¹ were the only people to obtain relief by the tedious, roundabout, and costly method of procedure which was necessary to get section XVIII into effective service.

In 1910 the liberal government carried through parliament an act designed to simplify the procedure necessary to secure an order-in-council, reducing the duty or placing on the free list of the tariff, any article controlled by a trust, and manifestly controlled to the detriment of consumers.

¹"In connection with the annual meeting of the Toronto branch, our friend, Col. Maclean was there, and upon being asked to speak, among other things he dwelt upon his favorite theme, and denounced the combines connected with the members of the association. After Col. Maclean was through, I said I did not think it fair for him to denounce combines in a general way, because it reflected on every member of the association—a most unfair thing; that if Col. Maclean had any knowledge of any combines, working in restraint of trade, he ought to mention such; and I think you will say, gentlemen, that that was a very fair attitude to take on the question. Col. Maclean got up, and he said he knew of a number. But he would only mention one, and that was the paper makers' association. Now, gentlemen, I am not here to speak for the paper makers' association. They have an association of their own. I understand that it has been under government investigation for a year or two past. I take it for granted that if they had been operating in restraint of trade that they would have been dealt with according to the laws and regulations governing the act which they would come under."—Speech by Mr. S. R. Parsons, at annual convention of Canadian manufacturers' association, Toronto, June, 1919, *Industrial Canada*, July, 1919.

There were from 1910 to 1919 no more additions to the free list from the operation of the act of 1910 than there were from 1897 to 1910 from the operation of section XVIII of the tariff act of 1897.

No more additions to the free list, due to the act of 1910, were expected by students of tariff legislation at Ottawa. It was useless ever to imagine that a government which permitted the privileged class to take possession of it, and mould tariff legislation exclusively to its advantage, would ever ask parliament to enact a really effective measure to curb the exactions of trusts and combines.¹

From the standpoint of the connection between government and the privileged class, it would be a stupid proceeding for a government to bestow tariff largess on the privileged class with one hand; and then, with the other hand, take back part of the largess so bestowed.

Such a proceeding, as regards stupidity, would be on a par with the action of the government at Ottawa that, during the war of 1914-1918, increased the already high protectionist duties in the general list of the tariff of 1907 by seven and a half per cent., and then asked a committee of the house of commons to investigate the high cost of living.

Ninety-five per cent. of the men and women of Canada are to-day ignorant even of the fact that since 1889 there have been

¹"We are faced with the fact that side by side with the economic transformation of industry which eliminates competition, and places the consumer at the mercy of the highly-organized modern trust, there is growing up among all the civilized peoples of the world a new commercial morality which insists, and most peremptorily insists, that there must be some limit to the profit which may be taken by the producer and the distributor, when the necessities of the consumer place him at their mercy."—Mr. C. A. McCurdy, K.C., member of the house of commons at Westminster, parliamentary secretary to the ministry of food, chairman of the committee on trusts, in *Illustrated Sunday Herald*, London, August 17, 1919.

enacted no fewer than three measures for curbing exactions by trusts and combines. For one of these measures—that of 1889—a conservative government was responsible. For the measures of 1897 and 1910 credit—if credit is due—must be given to a liberal government.

The fame accruing to a minister who had framed and carried through parliament a measure that ended the exactions of tariff protected combines and trusts would have been as great as that which accrued in England to Peel, as a result of his repeal of the corn laws in 1846.¹

“I shall leave a name execrated by every monopolist, who clamors for protection, because it conduces to his own individual benefit. But it may be, that I shall leave a name sometimes remembered with expressions of goodwill in the abodes of those whose lot it is to labor, and earn their daily bread by the sweat of their brows, when they shall recruit their exhausted strength with abundant and untaxed food, the sweeter because it is no longer leavened with a sense of injustice.”—Peel’s last speech in house of commons, June 29, 1846; Parker, “Life of Peel,” III., 372; and “Hansard’s Parliamentary Debates,” June 29, 1846. The foregoing extract from Peel’s last speech at Westminster, is inscribed on the monument to Peel, at Bury, Lancashire, where Peel was born.

In the closing days of the parliamentary session of 1919, a fourth enactment was passed for restricting the exaction of trusts and combines. It is entitled the “Combine and fair prices act, and the board of commerce act.” Under the measures of 1919 it is made the business of the board of commerce to protect consumers. Managers of a trust or combine who are found guilty of offences against the act—managers of combines who are contumacious—may be indicted; and on conviction they are liable to a penalty not exceeding \$1,000 and costs, or to imprisonment for a term not exceeding two years.

“This is extremely drastic legislation. It was rushed through the house of commons and senate during the last few days of the session, and consequently the country had practically no time to discuss it. These acts, however, are now law, and must be obeyed by all good citizens. The most important thing about them will be the administration. If they are administered sanely there can be no great objection to such legislation, especially if it will have any real effect on the high cost of living. If the personnel of the board of commerce is made up of men who have had no business experience, or who are visionaries and theorists, the harm they can do to business is almost incalculable.”—*Industrial Canada*, July, 1919.

Sir Walter Runciman, in a speech at Airedale, Northumberland, August 18, 1919, on the bill to stop profiteering that was at that time before parliament at Westminster, made some remarks that have applicability to act No. IV. of the Dominion parliament, for stopping extortion by tariff-protected trusts and combines in Canada. "It was," he said in reference to the bill before the imperial parliament, "a futile measure for dealing with vast questions, the root of which lay much deeper than in the sort of charges and popular cries on which the bill was based. The consuming classes were entitled to demand that all the resources of the government should be exhausted in providing abundance in place of scarcity, and in restoring our money to its true value."—*Yorkshire Post*, Leeds, August 19, 1919.

If any one of these three measures had been continuously effective the name of the minister at Ottawa who was the author of it, would today be a household word in Canada. But not one of these three measures was continuously effective; and to-day it is extremely doubtful whether the governments responsible for them ever really intended that they should be effective.

Each of these measures failed as regards general effectiveness. Each however, has some value; for each is an admission embodied in a Dominion statute, that penalty duties in tariffs as President Woodrow Wilson affirmed in 1911, breed trusts and combines.

But for at least a quarter of a century that fact has been widely notorious in Canada. It was proclaimed with much emphasis, and with as much truth as emphasis, in the liberal programme of 1893, the programme on which the liberal party, then led by Laurier and Cartwright, carried the general election of 1896.

CHAPTER XV.

TRUSTS AND COMBINES UNDER CONSERVATIVE AND LIBERAL REGIMES AT OTTAWA, 1879-1911

A NATIONAL POLICY BUG-A-BOO OF FORTY YEARS AGO RECALLED

Combines and trusts notoriously thrive as well under the national policy tariffs of the liberal government as they did under the national policy tariffs of conservative governments.

Trusts are interested only in the politics of business; and the experience of Canada since 1879 is that a liberal government is just as accommodating as a conservative government when it is dealing with men whose only politics are the politics of business.

Conditions were favourable to combines and trusts in the ten years from 1897 to 1907—in the decade between the first and the second revisions of the tariff by the liberal government of 1896-1911. It was common knowledge that trusts and combines increased in number in those years, also in power to exploit consumers.¹

¹"Does this vast organization of wealth (the aggregation of trusts in the United States) need protection? It does not need it; but it commands it. All these trusts give the usual reasons for their formation—the lessing cost of manufacture; the saving of commercial agents; the division of territory between their plants; and the reduction of price to the consumers. But every one of them, when it had established its control of the market, not only kept the whole of the savings of the consolidation to itself, but took from the public considerable besides; making the selling prices much higher than they would have been under full competition."—Franklin Pierce (of the New York bar) "The Tariff and Trusts," New York, 1907, 79-80.

But at the revision of 1907, penalty duties were increased in nearly all the schedules of the tariff; and at the public hearings of the tariff commission, which preceded the revision, both members of the commission and protected manufacturers forgot or ignored the fact, that one of the most strongly urged pleas in 1877-1879 was for a tariff that would build up industries in Canada, in order that consumers in the Dominion might not be exploited by combinations and trusts in the United States.

If there were not well-established factories in Canada, it was pleaded by Canadian protectionists of forty or forty-five years ago, Canadians would be dependent, to a nationally dangerous extent, on manufactured goods imported from the United States.

Combinations in the United States—combinations it was insisted that were peculiar to the United States, and that could not possibly exist and thrive in any country but the United States—would then have Canadian consumers absolutely at their mercy.

In the house of commons at Ottawa, and in the constituencies, advocates of protection for Canadian "infant industries" drew distressing pictures of the exploitation of Canadian consumers by American combines that was, as they declared, inevitably at hand.

With much fervour these protectionists of the seventies declared that a dire fate for Canadian consumers was threatening, and could not possibly be averted, unless Canada abandoned the comparatively low tariff that had been on the statute book since Confederation.

A merciless exploitation of Canadians by American combines and trusts, it was affirmed, could not be warded off unless the government—in other words, all the people of Canada, act-

ing in a corporate capacity through parliament and government at Ottawa—helped out of their pockets a comparatively few Canadians,¹ to establish factories.

There was no suggestion at this time that the people of Canada, appealed to in this way to help to start and establish factories, should share directly or indirectly in the profits. There was no suggestion even that all the people of Canada, thus asked to help in establishing factories, or in developing existing factories, should have a guarantee that the goods produced in them should be available at reasonable prices.

On the contrary, all regulation of prices was to be left to the manufacturers; and the profits were to accrue—as they have accrued since 1879—to the comparatively few Canadians who were to be helped by all the people of Canada to establish and maintain their factories.

Profits, moreover, were to accrue to these comparatively few Canadians, owning and controlling these protected factories, without any enquiry into them, or any regulation of them by the government.

The only return or compensation that all the people of Canada were to receive for their aid in starting and maintaining these factories for a few of the people of Canada, was to come in the form of a protection or a safeguard from exploitation by trusts and combines in the United States.

In those days, if anybody asked about prices of goods from tariff sheltered factories, the answer invariably was that competition among manufacturers, eager for business, was always so keen that there was no possibility that consumers would be

¹At no time between 1872 and 1899 were there more than three hundred members of the Canadian manufacturers' association. The number of members in 1919 was 3,500—*Cf. Industrial Canada*, May, 1919, 50.

overcharged, or that manufacturers' profits would be other than fair and reasonable.¹

Canadians in these closing years of the second decade of the twentieth century, Canadians who are not of the privileged class, and who have lived under both conservative and liberal national policy regimes, would to-day need much persuading that the danger on which so much stress was laid in the seventies was more than imaginary.

Most of them, in retrospecting the years from 1879 to 1919, would declare that the danger of the exploitation of Canadians by American trusts, was all a bug-a-boo. But granting that these protectionists of forty or forty-five years ago were sincerely convinced that danger was threatening from American trusts, one result of the success of the protectionist movement in Canada of that time—one result as respects combinations and trusts—has long been unmistakably evident.

The national policy adopted in 1879 has bred trusts and combinations in Canada that exploit consumers as ruthlessly as ever consumers in the United States were exploited by trusts and combines which derive much of their power to exploit them from protectionist tariffs enacted at Washington.

¹"A political theory, detached from the actual conditions of life, is as worthless as the political economy of a few decades ago, which first assumed a competitive market which never existed, and then formulated the laws which would presumably operate in it if it did exist."—Dr. Robert M. McElroy, at conference of educators, New York, October 14, 1917.

"Of late years control has been in ever-increasing degree exercised by rings and combinations of traders, created for the express purpose of exercising such control in their own interests, and not in the interests of the public. We live in a world of consolidations, rings, and cartels of which the old economists never dreamed."—Mr. C. A. McCurdy, K.C., member of the house of commons at Westminster, parliamentary secretary to the ministry of food, chairman of the committee on trusts, in *Illustrated Sunday Herald*, London, August 17, 1919.

It has long been useless for men who are financially interested in trusts, or for protectionists, to deny that trusts exist; or to deny that trusts exploit,¹ and are organized for the exploitation of consumers. It has long been equally useless to deny that trusts, in normal times, derive much of their power of exploitation from penalty duties in national policy tariffs.

Denial of these two facts—the existence of trusts, and the power of exploitation trusts can and do exercise under the protectionist system of the Dominion—is impossible.

It is impossible because there can be found in the statutes of Canada three laws—the enactment of 1889, and the enactments of 1897 and 1910, all perfunctorily enacted by parliament, at the instance of protectionist governments at Ottawa—in which there are admissions that trusts exist, and that trusts exploit consumers; and in which, moreover, there are admissions that much of the power of trusts to exploit is based on national policy tariffs.

This outstanding result of protection in Canada—a distinctly anti-social development of the anti-social system of penalty duties to the existence of which the anti-combine enactments of 1889, 1897 and 1910 bear testimony which is unas-

¹"Go on record against combines and profiteering, which are the greatest source of irritation in Canada to-day."—Appeal in *Financial Post*, Toronto, June 7, 1919, to Canadian manufacturers' association.

"Investigation shows two classes. The selfish, grasping after monopoly and exorbitant profits, by perhaps five per cent. of the manufacturers; and the stupid, pin-headed management that has characterized the Canadian manufacturers' association for a number of years, estranging friends and antagonizing political and other important groups."—Editorial article in *Financial Post*, Toronto, June 7, 1919, discussing popular hostility to Canadian reconstruction association, quoted by Mr. S. R. Parsons, in his attack on Colonel MacLean, president of the publishing company which owns the *Financial Post*, at annual convention of Canadian manufacturers' association, Toronto, June, 1919, *Industrial Canada*, July, 1919.

sailable—makes manifest a quite important fact in the history of the working of the protectionist tariffs of the Dominion.

A danger which was alleged to be threatening forty odd years ago from the United States soon became an actual and a positive danger, due not to trusts and combines south of the international boundary line, but to combines and trusts established in Canada, and supported in their notorious exploitation of consumers by laws enacted by parliament at Ottawa.

With the development of trusts in Canada, of which the earliest were the cotton and the sugar combines, it was soon realized that there was no basis for the argument of the protectionists of 1877-1879 that consumers could never be at the mercy of tariff beneficiaries, because the keenness of manufacturers for business was a continuing guarantee that consumers corralled within tariff walls—consumers to whom the principle of the company store was in application—would never be exploited.

Competition for business is to-day little more than a tradition in most countries. It has long been largely discarded in favor of agreements and understandings, even in lines of trade in which organization against consumers has not progressed quite as far as trusts and combines fashioned after American and Canadian models.

The dividing line in trade to-day is everywhere tending to run between exploiters and the exploited—between men who have wares for sale, and men and women who must buy these wares. Nowhere in the English-speaking world is this line already more clearly marked than in Canada and in the United States.

It is particularly well-marked and well-established in these two neighbouring English-speaking countries, largely be-

cause penalty duties are the characteristics of the fiscal systems of each.

Much the same line exists between employers and employees in most English-speaking countries. The old idea, long fostered by the employing class, that the interests of employers and employed are the same, is losing much of its former serviceability.

Even in the political worlds of the English-speaking countries a similar dividing line was emerging in the year of the peace. It was certainly manifesting itself in England;¹ in Canada; in Australia; and in the United States, in the unrest of the political worlds that developed from the winter of 1918-1919 to the autumn of 1919.

In England, Canada, and the United States, and to about an even extent, much less value than formerly was attaching to the old lines of political division. Much less value was attaching to the terms liberal and conservative in England and in Canada; and to the terms republican and democrat in the United States.

It is possible that the new line, emerging in the worlds of politics of these three great English-speaking countries, may not be permanent. It is possible that the new line may not long survive the political, industrial, and social unrest born of four years of devastating war.

¹Cf.—"The People in Between," Major Pretyman Newman, *Yorkshire Post*, Leeds, September 11, 1919.

In remarking on the significance of the success of the labour party in the election for the Spen Valley division of Yorkshire, Mr. Tom Meyers, the new member, said there would be fewer three-cornered contests. The old political parties—the conservatives and the liberals—would merge all the differences they were assumed to have and form a great political party with the result that the vested interests would be arrayed on one side and the great democracy on the other.—*Daily News*, London, Jan. 5, 1920.

Politicians of the older schools in all three countries were in 1919 cherishing the hope that the new line of political division—exploiters on one side, and the exploited on the other—had not come to stay. But the new line was obvious, and its significance was equally manifest.

It was well-marked in England; and even better marked in Canada and in the United States—countries in which promoters and organizers and managers of trusts and combines, had, for a generation before the war, used power they derived from protectionist tariffs in order to enable them to live up to the maxim "all the traffic will bear"—a maxim that is almost universal with men who are in control of monopolies, or of undertakings that by organization and shrewd management, are possible of conversion into monopolies.

Trusts and combines, and agreements and understandings to the same end, are not peculiar, by any means, to protectionist countries. They can and do exist without the aid of penalty duties.

These organizations of men with goods to sell—these organizations to eliminate competition, and to enable manufacturers to exact the last possible cent from ultimate purchasers of their wares—in recent years have been numerous in the United Kingdom¹ where until the war, and for nearly seventy years before the war, ports were freely open to natural products and manufactures from every country in the world.

¹"The growth of trusts should be controlled by the state in the interests of the consumer, among other means by compulsory publication of accounts. The retention of free trade, as our national economic policy, is the best antidote to the abuse of trusts."—Resolution XXII. In the new programme for the liberal party, adopted by conference of Manchester liberals, at the Reform club, Manchester, May 23 and 24, 1919.

As long as individualism is rampant, and the rapacity—sometimes euphemistically described as shrewdness—that rampant individualism generates and fosters are unchecked, trusts and combines, and gentlemen's agreements and understandings, all organized or framed with a view to exploitation of consumers will survive.

These anti-social organizations will survive as long as society does not recognize that there are profits which closely border on theft or robbery. They will survive until society can devise some method of penalizing some of the deviltries of commerce that generations of rampant individualism in trade and commerce have developed.

Legislation, in the last hundred years, has eliminated many of the older deviltries of trade and commerce. Chattel slavery no longer exists in civilized countries. Men at work at the salt pans in Scotland are no longer tied for life to their employers, as was the case until the second or third decade of the nineteenth century.

Few men or women now living can recall the time when children of six or seven years worked a twelve hours' day in the cotton mills of Lancashire, Yorkshire, and Cheshire; or when boys of six or seven years of age, and also women, worked below ground in coal mines in England.

Long ago it ceased to be possible for shipowners in the United Kingdom to traffic in coffin ships and insurance. Even the company store has disappeared in all progressive commonwealths in the English-speaking world.

More abundant capital and accelerated means of communication have, however, developed new evils in the existing systems of industry and commerce—evils with which the present generation is as familiar as preceding generations were

familiar with evils of trade and industry that society has eliminated.

Trusts and combines are of the newer evils. It is manifest that they flourish most, and can exercise largest power to exploit, in countries in which there are high protectionist tariffs.

Especially is this the case in Canada, where for forty years governments of both political parties were ready to revise tariffs upward at the instigation of organizations of manufacturers—at the instigation of men who profit from every increase in penalty duties.

At times there are governments at Washington that are equally ready to revise the tariff upward—equally ready to increase the power of trusts and combines to exact.¹ But, as was recalled in a preceding chapter, it is only when the republican party is in power that congress and the administration are willing to increase penalty duties at the instance of the protected manufacturers and of the trusts in which many of the protected manufacturers are organized.

¹"We Americans boast of our freedom; and yet in that particular branch of life which touches the most people, the right to buy and sell, we have been throttled by the trusts as no other people in the world have ever been throttled."—Franklin Pierce (of the New York bar), "The Tariff and the Trusts," New York, 1907, 80.

Mr. Pierce's study of the connection between penalty duties in the tariffs of the United States and American trusts, it should be explained, was written before the upward revision of the Dominion tariff in 1907, and before there came in Canada the enormous development of mergers and trusts of 1907-1911. If Mr. Pierce were to-day revising for another edition his now classic study of tariffs and trusts he would assuredly make the last two lines of the foregoing quotation from his book, a little more inclusive.

CHAPTER XVI.

TRUSTS UNDER FREE TRADE AND UNDER PROTECTION.—AMPLE STATUTE-CREATED OPPORTUNITIES FOR TRUSTS IN CANADA.

There can, of course, be effective outside competition only in the absence of trusts, combines, or gentlemen's agreements, which are international in their organization, in their ramifications, and in their spheres of operation. Outside competition of this character, it is manifest, affords the most certain and continuous check on men, engaged in manufacturing or trade, who combine to eliminate competition among themselves, and to advance the prices of their wares.

The abiding value of outside competition as a check upon trusts and combines was fully realized by the authors of the new programme for the liberal party in England, that was adopted at the conference of liberals of Manchester in May, 1919.

There was no attempt at Manchester to disguise the fact that in free trade England trusts and combines were in existence, and had been in existence in England, long before the war.¹ That fact was accepted by the conference; for not a

¹"There is at the present time in every important branch of industry in the United Kingdom an increasing tendency to the formation of trade associations and combinations, having for their purpose the restriction of competition and the control of prices. * * * We are satisfied that trade associations and combines are rapidly increasing in this country, and may within no distant period exercise a paramount control over all important branches of the British trade."—Report of parliamentary committee on trusts, quoted in *The Echo*, Liverpool, September 11, 1919.

single delegate challenged the statements that were made in the resolution dealing with trusts.

Compulsory publication of the accounts of trusts was one of the planks in the new programme. But in the same resolution there was a declaration of the conviction of the conference that "the retention of free trade, as our national economic policy, is the best antidote to the abuse of trusts".¹

The difference in the methods, tactics, and policies of combines and trusts in free trade England and protectionist Canada is merely a difference in measure of opportunity. Nobody pretends that the ethics of organizers and managers of trusts and combines in England are on any higher plane than those of managers of trusts in Canada and in the United States.

In all three countries the guiding principle with manufacturers is "all the traffic will bear."² Proof of this, as regards manufacturers in England, was abundantly forthcoming in

¹Cf.—*Manchester Guardian*, May 24, and 25, 1919.

During the discussion of trusts I was an onlooker at the conference, and witnessed the unanimous adoption of the resolution.—E. P.

²Sir Auckland Geddes, president of the board of trade, was a witness before the select committee of the house of commons, at Westminster, appointed shortly before the summer recess to investigate the charge that profiteering was widespread. At the outset of his evidence Geddes intimated that the government were about to introduce into the house of commons a bill providing for summary and drastic punishment of people found guilty of profiteering. He told the committee—August 6, 1919—that evidence of profiteering had been accumulating. "There were," he said, "cases of extreme greed on the part of persons who had goods to sell, and extreme folly on the part of persons who had money to spend. In view of the very difficult situation, the government felt compelled to take this very unusual step in order that they might be armed before the house separated for the summer." Asked by one of the members of the committee concerning the duration of government control of prices, the president of the board of trade answered: "I think external control will last for ever in connection with trusts and combinations in restraint of trade."—*Westminster Gazette*, August 6, 1919.

the eight or nine months after the armistice in November, 1918, had brought the four years of war to an end.

In these months, so far as many industries were concerned, England was on a protectionist basis. It was, as has been explained earlier in these pages, a hybrid system of protection. But it served the turn of many manufacturers and traders; and acting in accordance with the guiding principle of trade they notoriously made the most of the protection afforded them by the war-time system of embargoes.

Consumers in England, in the first year of peace, were made to realize to the full the meaning of the maxim "all the traffic will bear."

In normal times, however, opportunities in the United Kingdom for exaction by combines and trusts, or by manufacturers who are parties to gentlemen's agreements, are much fewer and less continuous than they are in Canada or the United States.

Opportunities are fewer, and uncertainty characterizes them, for the simple and obvious reason that England is on a free trade basis. If trusts and combines in England push prices too high, in normal times, it is open to manufacturers in any country in the world to send in their wares, and take the business.

If English trusts and combines should push prices too high, unless these trusts and combines are in agreement with potential competing manufacturers abroad, they would overreach themselves, and lose trade.

In Canada, for forty years, manufacturers in the United Kingdom, in the United States, and in other industrial countries, have had only narrow and restricted opportunities for doing what, it is always possible, in normal times, for foreign manufacturers to accomplish in the English market.

Opportunity for competition from outside Canada is greatly restricted. It is restricted by statutes which wall-in Canadian consumers for the benefit of Canadian manufacturers. To a large extent Canadian consumers must take "made-in-Canada" wares. They must take them, moreover, at prices dictated by Canadian manufacturers.

Especially is this the case when manufacturers are in a combine or a trust, or systematically and continuously market their wares in accordance with the conditions and terms of what have been long known as gentlemen's agreements.

As experience under tariffs enacted at Ottawa in the years from 1879 to 1919, and experience also under the anti-combine laws of 1889, 1897, and 1910, has proved, consumers in Canada are walled-in, and kept walled-in under peculiar conditions.

Consumers are walled-in quite regardless of whether a tariff beneficiary is in control of an independent factory, with an absolutely independent marketing organization, as is sometimes the case, or regardless of whether a manufacturing concern is in a trust or combine, and puts all its output on the market at prices, and under conditions, that are rigidly determined by the trusts.¹

In the Dominion of Canada consumers have thus for forty years been left at the mercy of the beneficiaries of the tariff system, with no continuous and effective protection from the

¹"A partnership between trusts and government to seize for the advantage of the trusts the property of other men, and to use the law and powers of government to that end, is practically socialism. There is no argument in favor of the existence of these combinations to crush competition, to limit production, and to control prices which cannot logically and consistently be turned by the socialist to support his doctrine."—Franklin Pierce (of the New York bar), "The Tariff and the Trusts," New York, 1907, 82.

government, or from parliament, as regards the prices at which the output of protected factories shall be available for consumers.¹

During the period in which the liberal party was continuously in opposition—1878-1896—its leaders would have welcomed the declaration of the Manchester liberal conference of May, 1919, that free trade as a national economic policy is the best antidote for the abuses of trusts. The Manchester resolution would have been promptly adapted to Canadian conditions; and reiterated and endorsed in liberal speeches in the house of commons, and in liberal speeches on the platform in the constituencies.

It would, moreover, have been embodied in liberal campaign literature; for it is little more than a paraphrase of the resolution² in respect to trusts and combines, adopted at the liberal convention at Ottawa in 1893.

After the liberals were once in power, however, a measure to check the exactions of tariff protected trusts and combines was about the last subject to which any member of the administration cared to turn his attention.

It was only after much pressure, it will be recalled, that section XVIII. was embodied in the tariff act of 1897; and newspaper publishers, exploited to the end of their patience by a paper trust, were the only consumers who ever obtained direct relief, under either the anti-combine section in the act of

¹"Men can bear poverty, but not poverty which they believe the result of injustice."—Pierce, "The Tariff and the Trusts," 85.

²"We, the liberal party of Canada in convention assembled, declare that the customs tariff of the Dominion should be based not, as it is now, upon the protective principle, but upon the requirements of the public service; that the existing tariff, (the tariff of 1879, as revised in 1884 and 1894) founded upon an unsound principle, * * * has developed monopolies, trusts and combinations."—Official report, liberal convention, 1893, 71.

1897, or under the act of 1910, amending the anti-trust law of 1897.

It was notorious that trusts, combines and mergers were organized in increasing numbers from 1897 to 1911;¹ and it is only necessary to compare penalty duties in the tariff act of 1894—a measure of a conservative government—with similar duties in the tariff acts of 1897 and 1907, to realize that in 1911 when the liberal government went out of office, trusts and combines could exercise a larger power to exploit consumers than they could exercise in 1896, when the conservative regime that began in 1878 came to an end.

Both political parties have failed consumers as regards relief from exactions by tariff protected trusts and combines; and both political parties, it need not be emphasized, must continue to fail consumers in this respect as long as each political party is willing that the privileged class shall control all the essential details of the fiscal and trade policy of the Dominion.²

It must be obvious to any man or woman in Canada, with sufficient intelligence to find his or her way to bed in the dark, that as long as the privileged class and its allies of the world of finance can, and manifestly do continuously control fiscal policy, no government at Ottawa will dare "spoil sport" for trusts and combines.

¹In the "Revolt in Canada against the New Feudalism," there is a chapter of twenty-three pages—chapter III.—describing the great development of trusts, combines, and mergers in the four years that followed the revision of the tariff upward in 1907.

²"When any body of citizens so powerful and so influential as the men who procure tariff laws, have started out upon a course of legalized plunder, they cannot well stop. Plunder begets plunder; and they who commence with partial plunder will end with universal plunder. You cannot jump half-way down Niagara. When the state farms out to vast corporations a part of its power to tax the people, it is well on its way to socialism."—Franklin Pierce, "The Tariff and the Trusts, 82.

These organizations notoriously fatten on penalty duties in the tariff. These duties are at the basis of much of the earning power, by the use of which large dividends are paid on capitalizations that are awash with water.¹

So long, moreover, as both liberal and conservative governments call on parliament to enact penalty duties at the dictation of the privileged class, no government will ever be permitted by the privileged class to submit to parliament any measure that will effectively and continuously curtail the power of trusts and combines to exploit consumers.²

The privileged class of Canada is quite conscious of its power at Ottawa. Publicly it never boasts of its possession of this unique and tremendous power. It was never proclaimed in the organ of the C.M.A. that the privileged class exercised a dominating influence at Ottawa, in 1896, when Laurier was about to nominate a minister of finance; and again in 1911 exercised a similar influence when it was Borden's turn to name the finance minister.

By the privileged class, and its newspaper organs, the idea is fostered that Canadians live under a democratic constitution. They flatter the electorate; foster the idea that the people rule; and that the popular will is beneficently expressed in every enactment of parliament, and in every executive action of the government.

¹"Government must secure justice to the individual citizen, or our form of government will lose to him its value and its charm; but the trust steps in with a law allowing it to practically tax the citizen for its own private advantage. We cannot live as a nation if corruption controls the sources of legislative action; but the trust comes in, and makes jobbers and chaffers of many of our legislators."—Pierce, "The Tariff and the Trusts," 88.

²"For forty years congress and state legislatures have fought the trusts with no conclusive success."—*Observer*, London, August 10, 1919.

All this, as Dr. Macphail has emphasized, is camouflage. The privileged class is aware that it is camouflage; and, moreover, the privileged class, while prudently keeping silent about it, realizes to the full the abiding value to it of the silently accomplished revolution of 1896-1907.¹

Until there is democratic control of fiscal policy, until a majority of the members of the house of commons, a majority imbued with democratic principles, and above all actuated by sympathies with the common people of Canada,²—recovers for all the people of Canada, full control of fiscal policy, men in control of trusts and combines can contemptuously snap their fingers at the people they are mercilessly exploiting,³ and

¹"If our industrial freedom is taken away, how long will any other right or liberty be respected."—Pierce, "The Tariff and the Trusts," 80.

²"Before the arrests were made, (the arrests at Winnipeg during the strike in the summer of 1919). Mr. J. A. Calder, the minister of immigration, rushed through both houses, in one day, an amendment to the immigration act permitting the deportation of British-born residents of Canada who had come within the scope of its sedition clauses. * * * On Mr. Calder must rest the chief blame for the reactionary obscurantism of the federal government. Long a professed radical while he was dependent for office upon the suffrages of the Saskatchewan farmers, he has now obviously entered the service of the reactionary interests of Canada. As leader of the liberals in the cabinet, he could, had he chosen, have insisted upon the pursuit of a liberal and fair-dealing policy. But instead, in his capacity as minister, he piloted through the house the most reactionary piece of legislation that has disfigured the statute books of a British country for many a long day. Yet this politician is the son of an emigrant Scotch carpenter, whose death, by an accident, left his family to face a hard struggle. No member of the cabinet ought to be more sympathetic with the cause of the workers of Canada, because he knows well their trials. But Mr. Calder is now obviously revealed as one of those opportunists who are liberals only when liberalism means office and the spoils thereof."—*The Nation*, New York, July 12, 1919.

³"The law has protected these vast corporations (the American trusts) first in their infancy, and then in their power, till they bid us defiance and shape legislation to their wishes."—Pierce, "The Tariff and the Trusts," 84.

treat such anti-combine laws, as the manifestly insincerely conceived and innocuous enactments of 1889, 1897, and 1910, as though they were non-existent.

For at least thirty years—1889-1919—the general attitude of trusts and combines towards these anti-combine laws was that the governments at whose instance they were enacted, only with reluctance asked parliament to pass them; and that this tardy and insincere action by governments was taken only to quieten popular clamor.

Any popular protest against penalty duties is usually disparagingly described by men of the privileged class as "popular clamor". By these men their own agitations for higher penalty duties, or against reciprocity with the United States, are regarded as patriotic movements—as occasions on which it is in order to do much waving of the flag. Opposition to movements of this kind—movements usually for revenue only—is also described as clamor by the privileged class and by its organs in the press.

For thirty years, as has been said, the privileged class of protected manufacturers was not in the least troubled over laws against trusts; and in these thirty years—years in which the anti-trust enactments of 1889 and 1910 were on the statute books—it is noteworthy that penalty duties in the tariff were almost generally moving in one direction. As the table printed in a preceding chapter makes manifest, penalty duties moved upward. They moved in the direction desired by the privileged class; and they moved upwards in an era in which trusts and combines were rampant; and regardless also of whether the administration at Ottawa was controlled by liberals or controlled by conservatives.

CHAPTER XVIII.

THE PRIVILEGED CLASS IN A NEW PLACE—ITS FRUSTRATION OF THE RECIPROCITY AGREEMENT OF 1911

A year after the privileged class and its associates in the worlds of finance and transport, all acting in conjunction with the conservative opposition at Ottawa, had secured a repudiation of the agreement with the Taft administration at Washington for reciprocity in trade, Macphail published an analysis of the influences and factors that brought about repudiation, and that also incidentally made an end to the liberal regime of 1896-1911.

It was in making widely known the influences and factors that defeated the government that was responsible for the agreement, that Macphail wrote the most scathing description of Canada's governing class that has so far appeared in print. "Protection in any country," he wrote, "is a government of the government. It creates a class bound together by self-interest alone, armed at all points, and ready for instant action against any party which threatens to curtail its privileges."

"This power to destroy a government which is suspected of designs upon the system," Macphail added, "was never so clearly displayed as in Canada, on September 21, 1911"—the day, it will be recalled, on which the conservatives, led by Sir Robert Borden, profiting from the great and wide-spread public noise created by the privileged class against the agreement,

wrested control of the government from Laurier and the liberals.¹

The general election that resulted in the repudiation of the Taft-Fielding-Paterson agreement,² and in the return of the conservatives to power, after fifteen years of opposition, is the most amazing election so far in the history of the Dominion.

It is without a parallel in the history of elections in the English-speaking world; for in no other English-speaking country is there a privileged class—a governing class—com-

¹"Mr. Murray declared that the reciprocity agreement was defeated by the greed and selfishness of several persons who thought that Canada was created to be exploited for their purpose, and that the well-being and prosperity of that great portion of our population who assist to make this country great by the development of its natural resources was not to be considered."—Speech by Mr. G. H. Murray, premier of Nova Scotia, at national liberal convention, Ottawa, July 31, 1919, *Tribune*, Winnipeg, July 31, 1919.

²"The governments of the two countries, having made this agreement, from the conviction that, if confirmed by the necessary legislative authorities, it will benefit the people on both sides of the border line, we may reasonably hope and expect that the arrangement, if so confirmed, will remain in operation for a considerable period. Only this expectation, on the part of both governments, would justify the time and labor that have been employed in the maturing of the proposed measures. Nevertheless, it is distinctly understood that we do not attempt to bind for the future the action of the United States congress or the parliament of Canada; but that each of these authorities shall be absolutely free to make any change of tariff policy, or of any other matter covered by the present arrangement that may be deemed expedient. We look for the continuance of the arrangement, not because either party is bound to it; but because of our conviction that the more liberal trade policy thus to be established will be viewed by the people of the United States and Canada as one which will strengthen the friendly relations now happily prevailing, and promote the commercial interests of both countries."—Letter signed by W. S. Fielding and William Paterson, (the minister of customs), and addressed to the secretary of state, at Washington, dated January 21, 1911, read to the house of commons at Ottawa, on June 18, 1919, by Fielding—"Parliamentary Debates," June 18, 1919.

parable with the privileged class that forty years of national policy tariffs have developed and aggrandized in the Dominion of Canada.

The election of 1911 was remarkable for a series of reasons. It was remarkable for the unexpected and amazing action of the conservative party, as regards the question of reciprocity with the United States—its sudden and general and complete abandonment of a position on that question that it had held from Confederation.¹

It was remarkable from the circumstances under which the privileged class parted company with the liberal government that had served it well and faithfully for fifteen years, and transferred its extremely valuable patronage to the conservative party—a party manifestly chaffing at the favor that for the lifetime of three parliaments the privileged class had continuously bestowed on its political rivals.²

It was remarkable, too, for the tactics and manoeuvring of the conservative party in the house of commons in the months that preceded the appeal to the constituencies—for the

¹"The political parties of the past were divided not so much by principle as by the necessity of carrying on a conventional warfare against each other."—Mr. Winston Churchill, quoted in *Manchester Guardian*, August 21, 1919.

"We agree that in dealing with domestic affairs the old system of party government gave a high sense of responsibility on the part of the men for their country, and will give us a more effective and more economical administration."—Speech by Mr. G. H. Murray, premier of Nova Scotia, discussing future of liberal party in Dominion politics, national liberal convention, Ottawa, July 31, 1919.

²"The manufacturers of this country were perfectly satisfied with the fiscal policy of the liberal government during those fifteen years."—C. C. Ballantyne, ex-president of the Canadian manufacturers' association, house of commons, June 9, 1919.

parliamentary tactics pressed into service by the conservatives at Ottawa, when once more they were in the enjoyment of the support and patronage of the protected manufacturers, and doing the bidding of the privileged class.

Again the anti-reciprocity campaign, and the general election of September, 1911, were remarkable for the amazing extent to which the larger part of the electorate of the Dominion was hoodwinked and stampeded.¹ It was remarkable for the extent to which it was stampeded by the now manifestly faked and insincere loyalty cry, and by the pseudo-patriotic commotion and vulgar hullabaloo centering about the slogan, "No truck nor trade with the Yankees," adroitly raised all over Canada, by dint of lavish newspaper advertising, all paid for, it need not be said,² by the privileged class and its allies.³

¹"The only use the people ever made, in any country, and can ever make, of power, is to give it away, or let it be taken from them; and the authority of all is only that of one or of a few."—Louis Simond, "Tour of Great Britain" (1817), I. 142.

²"Although it was disloyal in 1911 to advocate free wheat, and although the country was threatened with separation from the motherland, dissension, and all that sort of thing, the men who said, 'No truck nor trade with the United States have been forced by common sense, and by public opinion, to give western Canada free wheat. We have free potatoes, too. Mr. Speaker, I pity the honest faithful of Toronto. Oh, faithful of Toronto, who listened so attentively in 1911 to the pious utterances of the Flavells, of the Byron Walkers, and of the Whites, and of the Bordens clamoring. 'No truck nor trade with the United States'! You were eloquently told that Canadian trade should be directed from east to west; that the farmers should develop an inter-provincial trade. Oh, what a fall from Heaven! The other day the minister of finance had to admit, that under the loyal tory regime, the biggest customer of Canada was not John Bull, but Uncle Sam, in both exports and imports;" and that he had to yield free wheat, not by a temporary order-in-council, but by a permanent statutory enactment. Poor Toronto! How deceived art thou by those flag-flappers."—Mr. Rodolphe Lemieux, house of commons, June 11, 1919.

The statistics of trade between Canada and the United States for the years 1914-1919 are as follow:

Year ending March 31st.	Exports to United States.	Imports from United States.
1914	\$200,459,373	\$410,786,091
1915	215,409,326	428,616,927
1916	320,225,080	398,693,720
1917	486,870,690	677,631,616
1918	434,036,552	802,671,461
1919	454,923,170	746,940,654
	<hr/> \$2,111,924,191	<hr/> \$3,465,340,469

—*Cf. Industrial Canada* July, 1919.

"The reciprocity treaty has now been recognized by the government in their tariff proposals; and in fact they have gone further, if we take cognizance of the orders-in-council which were passed covering tractors and other farm implements."—Mr. Walter Davy Cowan, Regina, house of commons, June 16, 1919.

"My hon. friend, elected to office purely and simply because of his opposition to reciprocity, and because of his opposition to free wheat—because he would have 'no truck nor trade with the Yankees'—soon went to Washington and Wall Street, hat in hand, and begged those despised Yankees to lend him money to carry on the government."—Flelding, house of commons, June 18, 1919.

"The flooding of the press with anti-reciprocity advertisements, which must cost huge sums, indicate that some one is doing business again in the 'red parlor'."—*Globe*, Toronto, March 10, 1911.

"The flag-waver is generally the man with the coin, or the man with the axe to grind. It was ever so. Kings and princes, through all the centuries, have waved their flags and their banners, and called upon their loyal supporters to fight the enemy. And the loyal supporters were just good enough and foolish enough to do it. Therefore, the kings and princes continue to rule over them, and so they should. The financial kings and princes now wave the flag. The voter comes manfully forward, and, with eyes blinded with patriotic tears, marks his little cross on the ballot for the 'interests'. Therefore, the 'interests' continue to rule over us, and so they should."—*Saturday Night*, Toronto, quoted in *Grain Growers' Guide*, October 24, 1911.

The election, moreover, was remarkable for the ability and willingness of the privileged class to spend freely in order that the reciprocity agreement might be frustrated.

Much of the money that was used in persuading the electorate that the connection between the Dominion and Great Britain would be most seriously endangered if there were reciprocity in grain and other farm products, was furnished by men who from 1897, almost up to the eve of the war, continuously assailed the British preference tariff.

It was furnished by men who were so successful in this campaign that, as will be recalled, the preference was curtailed in 1904, and again curtailed at the general revision of the tariff in 1906-1907.

Part of the money necessary to bring about the stampede of the electorate was furnished by manufacturers, who either import their raw, or partly-finished materials, duty free from the United States, or pay only a nominal duty of one per cent.—a mere bookkeeping charge in these importations.

Contributions to political campaign funds are not made public. The "red parlor" of the seventies and the eighties was long ago consigned to the limbo of political institutions that have outlived their usefulness. It was a crude method of financing a political party. Too much notoriety, moreover, attached to it in the days when the liberal party was continuously denouncing it as a product of national policy tariffs.

But unlike manna, of which we read in the Scriptures, money for campaign advertising, and for "getting out the vote" does not fall from the clouds. Nor is it found on the sidewalks of Montreal or Toronto when the ice is scraped off at the end of the winter.

It usually reaches campaign managers from men who have a direct or indirect material interest in the result of an elec-

tion;¹ and there is ground for the popular conviction that some of the money, used in the continent-wide propaganda against reciprocity in 1911, was furnished by financial institutions in Canada—allies of the privileged class—which also own extremely valuable banking buildings in New York;² and for many years have added to their earnings by loaning money in Wall street.

At ordinary times—at times when patriotic fervor is not being assiduously worked up for the material gain of the privileged class, as it was in 1905-1906, when the protected manufacturers were intent on Dingley tariff rates in the penalty divisions of the Dominion tariff, and in 1911 when the privileged class undertook to frustrate the reciprocity agree-

¹"It is believed by the Canadian council of agriculture that the electors have a right to know who is putting up the money, and how much, with which the campaign of any candidate for election to parliament is being financed. Some candidates in the last election voluntarily published this information. We want to make it obligatory under law."—Mr. J. B. Musselman, "Studies in the Farmers' Platform," *Grain Growers' Guide*, February 5, 1919.

²"I saw in a New York paper, not very long ago, where one of the Canadian banks had paid over \$1,000,000 for office buildings in New York city. That money is locked up when it is needed to develop the industrial and the agricultural life of the country. In my opinion the government should see that the bankers are kept under some restriction in that regard."—William Costello Kennedy, house of commons, June 16, 1919.

"That Canadian banks abroad are also doing a good business may be seen in the fact that during July their deposits outside of Canada were increased by \$54,000,000."—*Westminster Gazette*, London, September 11, 1919. It need not be explained that "abroad" in this case, in general, means in the United States.

"Many of the protected manufacturers in the east joined hands last year with the transportation companies and the involved money interests, to block the way of the farmers to their most needed and nearest markets."—*Globe*, Toronto, June 14, 1912.

ment,¹ there are manufacturers in Canada who are profuse in their admiration of men and things in the United States. Some of these manufacturers, at times, are willing to take the world into their confidence in regard to their admiration of American methods and American industrial undertakings.²

But in 1911, when the United States for the first time in its history, made overtures to the Dominion for reciprocity in a strictly limited list of commodities—natural products and a few manufactures—the privileged class promptly determined that reciprocity might endanger the system of penalty duties in operation since 1879.³

¹"With one voice an organized cry was raised from the Atlantic to the Pacific that free trade meant annexation to the United States; that we were selling our birthright for a mess of pottage; that we were about to become hewers of wood and drawers of water, satellites of Washington, and pensioners for a short existence upon the mere whim of the United States."—Dr. Andrew Macphail, "Protection in Canada," in "The Burden of Protection."

²"The American Iron and Steel Institute concluded its meeting to-night, with a dinner attended by about 500 leading members of the trade from all parts of North America. President Plummer, of the Dominion Steel Company, said, 'We in Canada have the warmest, friendliest feeling for our brothers on this side of the line.' He stated that the iron and steel business in Canada, took pride in following in the footsteps of their progressive competitors in the United States."—*Gazette*, Montreal, May 23, 1914.

³"He (Borden, premier of the conservative government of 1911-1917, and also premier of the union government organized in 1917) was elected on a policy which was opposed to reciprocity or to free trade with the United States. He has gone back on that policy in very many ways. Two years ago he granted free wheat, which was one of the greatest bones of contention in that tariff schedule of 1911."—Mr. W. F. Cockshutt, member for Brantford, Ontario, house of commons, June 11, 1919.

"In the reciprocity debate eight years ago, in a speech I very well remember, he (Sir Herbert Ames, St. Antoine, Montreal) described wheat as the keystone of the protectionist arch; and he said if wheat was taken away the whole arch would fall. I hope he was a good prophet; and I hope I shall be there to see the arch tumble."—Dr. M. Clark, house of commons, June 12, 1919.

"Who heard the story of free wheat in 1911? Were we not told that if wheat were carried from north to south instead of west to east, the lines of the Canadian Pacific railway would become rusty through non-use? Were we not told that? My hon. friend from Brantford (Mr. Cockshutt) said that free wheat was one of the great bones of contention; and we were told that if there was one thing in the agreement more than another which would be fatal to the commercial interests of the country, it was that we should have free wheat."—Flelding, house of commons, June 18, 1919.

"There is an unintelligent clumsy selfishness; and I think our manufacturers indulged in a clumsy selfishness when they ranged themselves against that reciprocity agreement. What is to be the outcome of all this? We have seen in the meetings in the west, we have seen in the resolutions of the legislatures of Saskatchewan and Manitoba, and we see elsewhere all through the west, the evidence of a deep feeling of unrest, of discontent, a determination that the west will no longer allow itself to be dominated by the east."—Flelding, house of commons, March 24, 1919.

It communicated this fear to its associates in the world of finance. Bankers and financial magnates, with little delay, threw in their lot with the statutory privileged class. The two interests—protected manufacturers and financial interests, interests which are closely intertwined—combined forces for political action.

The old alliance of 1879-1896 between the conservative party and the privileged class—the alliance of the era of the "red parlor" was renewed. The conservative opposition in the house of commons did the bidding of the privileged class. Obstruction was persisted in until the liberal government was forced to ask the governor-general for a dissolution of the parliament elected in 1908.

In brief, the upshot of the hostility of the privileged class to reciprocity with the United States, solely because it conceived that concession to the demands for reciprocity by grain

growers and farmers would endanger the protectionist system,¹ and also of the new political alignment of the privileged class and its allies, was the extraordinary general election of 1911.

It was an election which most Canadians to-day would like to forget.² Nobody points to it with pride; especially since the Borden government in 1917 was forced by the exigencies of the war to accept the offer of free trade in wheat and wheat products that was embodied in the United States tariff of 1913.³

But as Borden and White were frequently reminded in the debates in the house of commons on the tariff bill of 1919—

¹"Don't monkey with the machine that has worked so well."—Sir William Van Horne, at St. John, New Brunswick, August 2, 1911—*The Witness*, Montreal, August 4, 1911.

²"Upon the defeat of the liberal party on this issue, I almost lost faith in public opinion. I never believed it possible that fraud and falsehood in the public press and on the public platform could persuade educated and intelligent people that an enlarged market for our great natural resources was inimical to the best interests of this Dominion."—Speech by Mr. G. H. Murray, premier of Nova Scotia, at national liberal convention, Ottawa, July 31, 1919.

³"We (the liberal party) went down to defeat in the attempt to get free markets, not only for wheat, but for the barley, oats, grain, and cattle of Western Canada. That was refused. After it was refused the United States did a little tariff amending on their own lines, and they said: 'If Canada does not want to trade fair with us, we will amend the tariff to suit ourselves.'"—Mr. James Alexander Robb, Huntingdon, Quebec, house of commons, June 19, 1919.

"The chief objection that I had to the reciprocity agreement was the fact that there was an agreement. What have we got to-day without any agreement? Flour is on the free list; wheat is on the free list; this government put them there."—Sir T. White, (minister of finance), house of commons, June 18, 1919.

"Those who opposed acceptance of the old trade agreement, however, feel that at least they reasoned soundly when they pointed out the danger in a compact terminable at will by either party, and the insecurity of trade conditions depending upon the legislative action of another country."—Editorial correspondence from Toronto, July 31, 1919, of *The Times*, London, August 26, 1919.

and reminded by conservative as well as liberal members'—the miserable and utterly insincere campaign cry of "No truck nor trade with the Yankees," served to return the conservative party to power at Ottawa.

"No truck nor trade with the Yankees," was, it will be remembered, the cry that was screamed from anti-reciprocity platforms by conservative candidates in every parliamentary constituency. It was screamed in a manifesto issued by leading financiers in Toronto; and it was screamed also from the advertising pages of newspapers in every city from Halifax to Victoria.

There never was an appeal to the electorate of Canada that was pitched at a lower level than the appeal of the anti-reciprocity interests of 1911. By these interests—all interests directly or indirectly associated with the privileged class—the riotous and degrading propaganda against reciprocity was pushed from coast to coast, and into every hamlet or village in the Dominion.

It was everywhere, moreover, worked up to white heat, with no concern, as regarded the language in which its appeal was expressed, for the susceptibilities of the neighboring republic, which was then ready to concede easier trade conditions for which since 1866 hundreds of thousands of Canadians had been eagerly looking.

The anti-reciprocity propaganda of 1911 was an exhibition of the privileged class in politics at its worst. It was an ex-

"I want to remind the leader of this government (Sir Robert Borden), his minister of finance, and his minister of railways (Mr. J. D. Reid) that every one of them came into power in 1911 as protectionists. * * * The right hon. gentleman who leads this house came into power on the reciprocity cry; and without that protectionist cry I believe he would have been in the cold shades of opposition up to the present time. The minister of finance did the same."—W. F. Cockshutt, house of commons, June 11, 1919.

hibition of the privileged class at its worst as regards one great class in Canada—grain growers and farmers—long exploited by the privileged class; and also at its worst as regards the amenities of international comity.

The whole campaign against reciprocity--the transfer by the privileged class of its patronage from the liberal party to the conservative party; the volte face of the conservatives on reciprocity; the tactics of the conservative opposition in the house of commons after the reciprocity resolutions were introduced; and the propaganda in the constituencies that preceded the polling on September 21, 1911--was a squalid exhibition by a class which Macphail described as "without political creed, without principles," and "bound together by self-interest alone."¹

The reciprocity agreement of 1910 was repudiated. In the long run, the victory was not of much material or permanent political value to the privileged class. Circumstances in 1917 forced the Borden government to accept the offer of the United States of 1913, and the thwarting of the offer from Washington of 1910, as will become apparent in a succeeding chapter, gave additional stimulus to the movement of the grain growers of the prairie provinces, and of the organized farmers of Ontario, for the dislodgment of the privileged class from its control of trade and fiscal policy.²

¹Andrew Macphail "Protection in Canada," in "The Burden of Protection," 1912.

²"And yet when the people come to realize that their dearest emotions were played upon by fears which had no foundation, by hatreds and fantasies which were fabricated for a base purpose; when, in short, they come to suspect that they were made the victims of a delusion, they will look with fresh eyes upon any proposals for freer trade which may be submitted to them."—Macphail, "Protection in Canada," in "The Burden of Protection."

"The folly of that action is now being made plain to all except the wilfully blind. The west will not be satisfied with a sop in the form of a reduction in cement duties, now that the millstone of the lumber trust has been rolled back upon its shoulders."—*Globe*, Toronto, June 14, 1912.

"I wish to point out to the government that in the west, both urban and rural communities are most emphatic in their demands for a lower tariff. They have been promised tariff commissions, and tariff reductions repeatedly, by both the old parties, until they have become, if I may use the language of the street, 'fed-up'."—Mr. Andrew Knox, Prince Albert, house of commons, July 18, 1919.

"The manufacturers, who were looking out for number one, did not observe what was coming. I do not blame them for looking out for number one. I am not questioning their motives; I am questioning their wisdom."—Flelding, house of commons, June 18, 1919.

CHAPTER XVIII.

OVER-PLAYING THE GAME—THE GAINS AND LOSSES OF THE PRIVILEGED CLASS FROM ITS AUDACITY IN 1911

Despite the fact that the privileged class was not able permanently to block reciprocity in farm products, its temporary success in 1911 is of much importance in the political, fiscal, and social history of the Dominion.

It is important because in frustrating reciprocity the privileged class thrust itself into a new place. It asserted larger power. It pushed out a salient from which it may be difficult to dislodge it.

The episode of 1911 was, in fact, a new, audacious, and systematically organized exhibition of the power that the privileged class can, and does exercise in Dominion politics—in the constituencies as well as at Ottawa.

It was able to exercise an enormous influence in the constituencies—to stampede a majority of the electors of the Dominion—for two obvious reasons. It was able to press conservative candidates for the house of commons into its service; and it was able to spend lavishly on campaign literature and campaign advertising. It was prodigal in its advertising. It had the use of nearly every newspaper that had advertising space to sell.

The election of 1911 was also an exhibition of the contemptible methods to which the privileged class will stoop—on which it will spend lavishly—when it conceives, as it did in re-

gard to the reciprocity agreement, that its statutory power to exact toll from consumers—to run a company store for all Canada—is in danger of curtailment.¹

As the outcome of the break of the privileged class with the liberal party—and of its new alignment with its original political associates at Ottawa, and also of the amazing general election of 1911, the privileged class secured some temporary advantages.

It manifested to Canada that its fortunes were not tied to one political party; that it was within its power to discard the conservative party in 1896, and summon it back to its loyal service in 1911. It manifested also to Canada that it could trouble itself little with the press of the conservative party for fifteen years, and still have the conservative press as its devoted servant whenever it needed it in its business.²

¹"Blindly and selfishly, as in the United States, the privileged interests in Canada mistake special privileges for inherent rights. Here, as there, the flag is waved to serve the interests, and to save the face of those who would take private toll of the people. But it will not succeed. The selfish interests can never again dominate for long in the English-speaking world. Canadians will make short work of the bossism of the big interests."—*Globe*, Toronto, June 14, 1912.

²It will be recalled that the liberal daily newspapers, with only two or three exceptions—an evening paper in Montreal, unfortunately now no more, and an evening paper in Winnipeg—all supported the fiscal policy of the liberal government of 1896-1911. Some of these newspapers, moreover, persistently endeavored to persuade their reading constituencies that in these years the liberal government was implementing the pledges as regards fiscal policy embodied in the Ottawa liberal programme of 1893.

"The power of the press may easily become, and in many cases already has become, a very serious menace to the best interests of the masses of the people of Canada. * * * The council of agriculture is of the opinion that every reader of a daily paper or other periodical is entitled to know who are the owners in control of the papers which are moulding his opinion and those of his family on the public questions of the day."—J. B. Musselman, "Studies in the Farmer's Platform," *Grain Growers' Guide*, February 5, 1919.

Moreover, the privileged class did in 1911 frustrate reciprocity. It was no part of its mission, in opposing reciprocity, to interfere with the large inflow of raw materials and semi-finished material from the United States, imported duty free by Canada's highly protected manufacturers. Nor was it part of its mission to prevent Canadian banking companies from loaning their surplus capital in New York.

For missions of this kind the privileged class could not have raised a campaign fund of fifty dollars. There would have been revolt in its ranks. There would have been no end of public commotion had it been suggested that Canadian manufacturers, to whom raw and partially finished materials from the United States are as essential as ploughs and reaping and binding machines are to grain growers in Manitoba, Saskatchewan, and Alberta, should be compelled to stop the importation of these materials.

In the election campaign in the summer of 1911, when the political associates of the privileged class bellowed out from hundreds of platforms "No truck nor trade with the Yankees," and when conservative newspapers on their news, editorial, and advertising pages, reiterated and reiterated the strident cry of these politicians, the range of the applicability of this cry was well understood by the privileged class.

It was only farmers and grain growers who were to be denied easier conditions of trade with the United States. The privileged class was fully aware that it had farmers and grain growers and other consumers in Canada safely stockaded as regards their purchasers; and in 1911 it was intent on stockading farmers and grain growers as regards the marketing of the merchandise they have for sale.

Perhaps had farmers and grain growers adopted another policy than that they pursued from 1906 to 1910 in pressing

for the free opening of markets in the United States to their products, they might have had easier access to these markets long before the Borden government in 1917, by order-in-council, accepted the offer of the United States, embodied in the tariff act passed by Congress in 1913.

Maybe if representatives of the organized grain growers and farmers had gone cap in hand to the privileged class; explained to the privileged class that it would be an advantage to grain growers and farmers to have easy access to the great markets south of the international boundary line; and given assurance to the privileged class that if it made this little concession to farmers and grain growers they would never again agitate against high penalty duties in the Dominion tariff, the privileged class might condescendingly and graciously have withdrawn its veto of the Taft-Fielding reciprocity agreement.

But the farmers and grain growers followed the usual and constitutional course. They made their desire for the opening of the American market to their produce known to the liberal government. Apparently the liberal government failed to consult the privileged class.

The liberal government dared to take an independent line. It took an independent line on reciprocity in 1911, as in 1897 it had taken an independent line in regard to the original British preferential tariff.

The privileged class liked the Taft-Fielding agreement as little as it liked the British preferential tariff, as it stood from 1898 to 1904. It disapproved of both; and in general for much the same reason.

The original British preferential tariff made a slight inroad on the statutory power of the privileged class to levy toll on consumers. It was a departure to a small extent from the principle of the company store.

The inroad on the power of the privileged class to exact toll made by the Taft-Fielding agreement was amazingly small. It needed a microscope to reveal it. But the privileged class feared the grain growers and farmers might be sufficiently bold to ask for more.

It feared that, in course of time, there might come a general curtailment of the operation of the company store principle as applied to the eight million people of Canada.

Macphail offers this as the reason for the opposition of the privileged class to the Taft-Fielding agreement. "That was," he writes, "the head and front of the opposition to the proposal, namely, to postpone the ultimate downfall of protection in Canada. Everything else was subsidiary, and merely a question of method. The naked truth is that the government was defeated by the charge that all who dared to support it were, *in posse* or *in esse*, disloyal. . . But the simple ruse succeeded; so that now the farmers who, for the past forty years, have been paying protection prices by being forbidden to buy in the United States, are now forbidden to sell, although they form seventy per cent. of the community."¹

The gain to the privileged class from its defeat of reciprocity in 1911 was, as has been already indicated, only temporary. As an off-set to this merely temporary gain, moreover, there came the wide extension of the grain growers' and farmers' agitation—clamor as the protected manufacturers would describe it—for a large, uniform, and permanent reduction of penalty duties on imports from the United Kingdom,²

¹Macphail, "Protection in Canada," in "The Burden of Protection."

²"The farmers' platform recommends that Canada's tariff laws should be amended by reducing the customs duty on goods imported from Great Britain to one half the rates charged under the general tariff; and that further gradual, uniform reductions be made in the

remaining tariff on British imports that will ensure complete free trade between Great Britain and Canada in five years."—*Grain Growers' Guide*, July 12, 1917.

and also for a deep horizontal cut all through the penalty duties in the general list of the tariff:

At the end of the war, when the privileged class took stock of its political position, and was confronted with the growth between 1911 and 1919 in the agrarian movement against the company store principle in the fiscal system of the Dominion, it had little reason to congratulate itself on the results accruing to it from its stampede of the electorate by the anti-reciprocity campaign of 1911.¹

In the summer of 1919 the privileged class was manifestly nervous over its threatened position. The grain growers' movement was making headway; and even the remnant of the liberal party—the party that for fifteen years was subservient to the privileged class—was attempting to persuade the electorate that if liberals were again entrusted to power, there would be no repetition of the betrayal of 1896-1907.²

The nervousness of the privileged class, resulting from the grain growers' movement, and from the attempt of the liberal party to convince the electorate that it could really be sincere in its professions with regard to the tariff, was manifest in a despatch to *The Times*, from its special editorial correspondent, at Toronto, dated August 7, 1919.

"In the judgment of the industrial interests," read this cablegram, written by a journalist of Dominion-wide fame,

¹"You can fool all the people some of the time, and some of the people all the time. You cannot fool all the people all the time."—Lincoln.

²Cf.—Resolutions at the Ottawa liberal convention August 5 and 6, 1919.

who is understood to be in a good position to ascertain what the protected manufacturers are thinking concerning political developments of significance to them, "it is unfortunate, during the period of reconstruction, that investments and expansion should be checked by anticipation of tariff changes, and the unsettled conditions which incidentally result from fiscal uncertainty."¹

The grain growers' movement against high penalty duties antedates the frustration of the reciprocity agreement of 1911 by five or six years. Canada east of the great lakes was first made aware of this movement when the tariff commission of

¹*The Times*, London, August 9, 1919.

"As I have listened during the last few days to the excuses offered for the failure to make further reductions in the tariff, I have been wondering what excuses will be furnished next. Right along we have been furnished with all kinds of excuses. Last year it was the war; this year it has been the war and demobilization. But demobilization is very nearly completed now; and the excuse is being switched to the unrest in the country. If the unrest is successfully coped with, and things become normal, I do not know what excuse will be offered next for inaction in regard to the tariff. It is amusing to see the way these excuses shift from one thing to another. I have no doubt that when we come here next year, and ask for revision of the tariff, some other excuse will be offered, and we shall be asked to believe that it is just as important as any that we have had so far."—Mr. John Maharg, Maple Creek, house of commons, June 18, 1919.

"There will be a general revision of the Canadian tariff at the next regular session of parliament. With exchange so heavily against Canada it is felt that the balance of trade in favor of the United States must be reduced, for exchange in itself lowers materially the margin of protection for Canadian industries."—Editorial correspondence from Toronto, July 31, 1919, *The Times*, London, August 26, 1919.

"A strong deputation of the executive council (of the Canadian manufacturers' association) waited on the government at Ottawa on Tuesday, Nov. 25. * * * * The deputation questioned the desirability of a sub-committee of the cabinet going through the country, and conducting a tariff enquiry, on the ground that it might result in political agitation of a disturbing nature. It was made clear, however, by the ministers present, that the government was committed to this policy."—*Industrial Canada*, December, 1919.

1905-1906 was holding its public sessions in the grain growing provinces.

Grain growers' organizations then asked for lower duties on imports from the United Kingdom; and in particular for a restoration of the British preferential tariff to the level at which it had stood from 1898 to 1904. They asked also for lower duties on imports from the United States; and also, and with emphasis, that the liberal government endeavor to secure a reciprocity agreement with the government at Washington.

No response to any of these three appeals of the grain growers was made when the tariff was revised upward in 1907. All three were ignored.

As a consequence of the treatment thus accorded the grain growers in 1907, they threw much more energy into their propaganda, and made Laurier and his colleagues of the liberal administration fully aware of their resolute and continuing opposition to the company store principle in national trade.

Laurier's tour of the west in the summer of 1910 gave the organized grain growers of Manitoba, Saskatchewan, and Alberta, a great opportunity. They made much more of it than of the opportunity offered them by the visit of the tariff commission of 1905-1906 to the western provinces.

With extreme frankness the grain growers, at every city and town in the prairie provinces, communicated to Laurier their strong disapproval of the fiscal and trade policy of the liberal party, as that policy had been embodied in the tariff and bounty legislation of 1897-1907.

During this tour, and again in December, 1910, when a great deputation of grain growers and farmers waited on cabinet ministers in Ottawa to discuss fiscal policy, and grain growers' and farmers' grievances and burdens under the fiscal policy of 1897-1907, the whole of Canada was informed that

the grain growers were organized and hostile to the tariff,¹ and this movement would have continued and increased in strength if there had been no offer of reciprocity from Washington in 1910.

The frustration of the agreement by the privileged class—its audacious command to Ottawa that grain growers and farmers were not to be permitted to benefit from the offer of free trade in natural products—infused much new life into the grain growers' movement.

It also greatly incensed the liberals, whom the privileged class had discarded in February, 1911, and then defeated at the polls in September.

The upshot was that at the end of the war there came the revelation for the privileged class that its power to exact toll from consumers was more threatened in the house of commons, and above all more threatened in the constituencies, and particularly in the constituencies between the Ottawa river and the Rocky mountains, than at any time since 1896.²

From 1879 to 1896 the only organized opposition to protection was that of the liberal party. In 1919 grain growers and farmers in the prairie provinces, in Ontario, and in Nova

¹"Certain developments in Canadian politics inclined the Dominion government towards a reconsideration of its tariff policy. The farmers of Western Canada had become restive under a tariff system whose advantages, they thought, accrued mainly to the manufacturers of the east. An enormous delegation of the grain growers' association visited Ottawa to ask for a lowering of duties in their behalf. It was in these circumstances that the negotiations at Washington, which were entirely confidential in character, were carried on."—"Reciprocity Between Canada and the United States," *Quarterly Review*, April, 1911, 496-497.

²"There is no political reform, however great and far-reaching, which the working people of this country cannot achieve by the ballot-box."—Mr. Stuart Bunning, president trades union congress, Glasgow, September 5, 1919.

Scotia and New Brunswick, were organized in opposition to it. They were, moreover, organized and acting quite independently of the liberal party, and with success, contesting elections against liberal candidates.¹

The grain growers were organized much as the Irish nationalist party at Westminster was organized in the days of Butt, Parnell, and Redmond. Their attitude towards both the conservative and liberal party in Dominion politics was much like the attitude of the Irish nationalists towards liberal and conservative parties in the Imperial parliament from 1876 to Gladstone's home rule bill of 1886.

The privileged class over-reached itself in 1911. It manifestly over-played the game. Its action resulted in delaying the acceptance of an offer of reciprocity from Washington for a period of only six years.

But the frustration of the agreement of 1911 afforded to Canada and to the world at large a most striking demonstration of the potency in Dominion politics of the privileged class. It was proof of the tremendous influence that can be exercised at Ottawa by the most powerful privileged class in any country that is of the British Empire.

The demonstration of this power of the privileged class was all the more remarkable, it was all the more significant, from the circumstances under which the conservative opposition at Ottawa of 1896-1911 determined on its policy towards the reciprocity agreement.

From the end, in 1846, of the old commercial system in England, and from the consequent accruing to all the British North American provinces of power to enact their own tariffs,

¹The agrarian party carried five elections in the autumn of 1919 and increased the agrarian group in the house of commons, led by Crerar, from four to nine.

until 1911, the conservative party was in favor of reciprocity with the United States.

In these sixty-five years both political parties worked for reciprocity. From the abrogation of the Elgin-Marcy treaty in 1866 to 1898, each of the political parties, during its term of office, had fruitlessly negotiated with Washington for reciprocal trade.

Offers of reciprocity had been embodied first in the tariff acts of the United Provinces, and next in tariff acts of the Dominion of Canada. From 1846 to 1911 neither the conservative nor the liberal party had ever dreamed of hostility to reciprocity in natural products.

But in 1911 the conservative opposition in the house of commons, manifestly taking its cue from the privileged class, completely abandoned its old and long held position in regard to reciprocity with the United States.

What leaders of both political parties had striven for in the years from 1866 to 1898¹ was in 1911 denounced by the conservatives as a peril to the British Empire; and under these conditions the liberal party, then led by Laurier, went down to defeat.

The Laurier government in 1911 spiritedly and courageously took a chance in the interest of a movement that the liberal party had championed continuously for thirty years before it went over to protection in 1897.²

¹Except for the grain growers' movement of 1905 the question of reciprocity was dormant at Ottawa, and also at Washington, from the joint high commission of 1898 to the Taft proposal of 1910-1911.

²"The liberal party was defeated in 1911. But in his opinion no political party ever suffered defeat upon a more righteous issue—an issue which had for its object a broadened market for the great natural resources of the country, a policy for 15 years desired by our people, and one that would have unquestionably brought great prosperity to the country."—Mr. G. H. Murray, premier of Nova Scotia, at national liberal convention, Ottawa, August 31, 1919.

With the manufacturers and bankers and the transport interests denouncing the Taft-Fielding agreement—declaring that it meant the end of the connection with Great Britain—the odds were against the Laurier government; and it encountered defeat in a cause of much value to agrarian Canada that both liberals and conservatives, at times with much help from the Imperial government, had continuously worked for from 1846 to 1896.¹

¹The election of 1911 returned 133 conservatives to the house of commons as compared with 86 liberals—a result accruing from a popular vote of 669,000 for the conservatives, and 625,000 for the liberals. The conservative and anti-reciprocity government was in power until the autumn of 1917. A coalition government was then formed to carry the Dominion through the war.

CHAPTER XIX.

ACCEPTANCE OF RECIPROCITY BY THE CONSERVATIVE GOVERNMENT —THIRD SUCCESS OF THE GRAIN GROWERS' MOVEMENT IN DOMINION POLITICS

The second offer of reciprocal trade, much less comprehensive than the Taft offer of 1911, was made from Washington in October, 1913.

The Borden government had committed itself to a trade and fiscal policy that was antagonistic to reciprocity with the United States. It was in April, 1917, and only after the British Empire had been at war with Germany and its allies for three years and nine months, that the second offer from the United States—that of October, 1913—was accepted at Ottawa.

The second American offer was embodied in the Underwood-Simmons tariff act. It was embodied in a section of that act—a measure enacted by a congress in which the democrats were in a majority in both the house of representatives and the senate—which provided that wheat imported into the United States should be subject to a duty of ten cents per bushel, and that wheat flour should be subject to a duty of forty-five cents per barrel of 196 pounds, "when imported directly or indirectly from a country, a dependency, or other sub-division of government, which imposes a duty on wheat, or wheat flour, imported from the United States."¹

¹Cf.—Tariff Act (United States) of October 3, 1913.

By the Dominion tariff act of 1907 wheat imported into Canada from the United Kingdom was subject to a duty of eight cents a bushel. In the intermediate tariff the duty was ten cents a bushel. In the general tariff—the tariff applicable to imports from the United States—the rate on wheat was twelve cents a bushel.

These duties were supposed to be for the protection of grain growers in the prairie provinces, and in Ontario. But every grain grower, and every boy and girl in high school in any of the prairie provinces, knows that at no time since the Dominion was loaded down with duties for the protection of manufacturers has it been possible to make the tariff afford any protection to grain growers.¹

Moreover, it never will be possible by any tariff that can be framed by politicians at Ottawa to protect grain growers so long as much the greater part of the crop of Manitoba, Saskatchewan, and Alberta, must go by way of Buffalo or Montreal

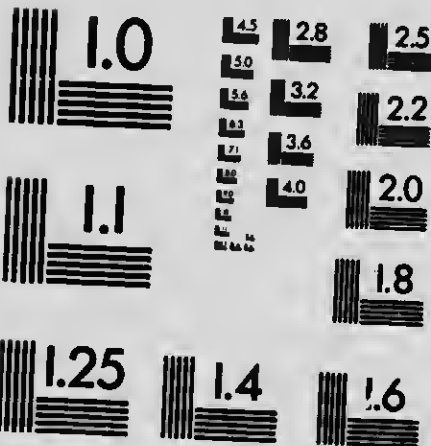
¹The western farmer produces for a world's market. The price of his products, in many instances, is settled not in Canada at all, but in Liverpool; and it is necessary, in order that social and economic justice be done him, that what he requires to buy he should be able to obtain at a reasonable and proper price."—McMaster, house of commons, March 25, 1919.

"Reference to the figures in the article on drawbacks to manufacturers shows that the Quaker oats company, of Peterboro, received last year refunds to the amount of \$74,084. In 1911 the amount refunded to the same firm was \$94,669. This shows an average of over \$84,000 annually. This firm is protected from outside competition by a duty of sixty cents per 100 pounds on oatmeal and rolled oats. When oats can be purchased cheaper in the states than in Ontario they bring in the U.S. oats, and let the Ontario farmer sell his oats as best he can. The duty paid on the imported oats is refunded. The farmers were promised that protection would secure them the home market, but it does not work out that way."—"How the Farmer Is Protected," *Free Press*, Forest, Ontario.



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across the Atlantic ocean to find a market in the United Kingdom, or in countries of continental Europe.¹

The enactment of duties on wheat was manifestly a futile attempt of the framers of protectionist tariffs to hoodwink grain growers into the belief that grain growers, like manufacturers, derive advantage from national policy tariffs.

On flour the duties imposed by the tariff act of 1907 were—in the preferential tariff forty cents a barrel; in the intermediate tariff fifty cents; and in the general tariff sixty cents a barrel.

It was in the interest of millers in Canada that these duties were imposed on flour. The purpose of the duties, and in particular of the duty of sixty cents on flour from the United States, was to safeguard the trade in flour in the maritime provinces from American competition.

No negotiations with the United States, such as those of 1910-1911, were necessary to make the Washington offer of October, 1913, effective. It was dependent merely on concurrent legislation. Professedly—as a war-time policy, the American offer was accepted at Ottawa in 1917.

It was accepted by the Borden government that owed its majority of sixty-six in the house of commons to the anti-reciprocity propaganda that preceded the general election of September 21, 1911.

From April, 1917, there was free trade in wheat and wheat flour between Canada and the United States, as there was between the British North American provinces, east of the

¹In 1900 Canada exported 20,000,000 bushels of wheat. In 1917 it exported 223,000,000 bushels of wheat or wheat flour; and in 1918, 195,000,000 bushels.—Cf. "Report on the Grain Trade of Canada, 1918," Ottawa, 1919, 67.

great lakes, and the United States in the years from 1854 to 1866.

Grain growers welcomed the new policy of the Borden government as regards freer trade relations with the United States. So did the liberals, and also the liberal newspapers all over the Dominion that in 1911 had supported the Laurier government in the acceptance of the offer made at the instance of President Taft.

It was only natural that liberals in the house of commons, and liberal newspapers, should accuse the Borden government of annexing Laurier's policy of 1911.

There was vigorous denial of this charge by conservative newspapers that in 1917 were supporting the anti-reciprocity government. There was denial by newspapers which from February to September, 1911, were all steam on and hull down, in the wild and tumultuous propaganda organized by the privileged class against the reciprocity agreement.

A quotation from the *Gazette*, of Montreal, for two generations easily the leading conservative organ in the Dominion, will serve as an example of the explanations offered in the conservative press for a policy of the Borden government diametrically opposite to the policy in behalf of which the privileged class had successfully stampeded the electorate in September, 1911, in order to secure the return to power of the conservative party, then pledged up to the hilt against reciprocity.

"It may be admitted at once," said the *Gazette*,¹ "that the action recently taken by the government seems to be a departure in policy—seems to be, but is not. When the national policy tariff was introduced in 1879 there was embodied in the tariff act a provision for reciprocity with the United

¹April 19, 1917.

States in natural products; and this provision remained on the statute book for many years."¹

"If now wheat and flour are placed on the free list in order to obtain a free market for these articles in the United States," continued the *Gazette*, in this editorial article of April 19, 1917, "no abnegation of policy or principle is involved. We are confronted with a condition, not a theory. Lower grade wheat has not an adequate market in Canada; nor can it under war conditions be exported to Great Britain and Europe; and unfortunately much of the north-western wheat crop of 1916 graded low, because of adverse weather conditions; and so an outlet for this product is sought in the United States, where a demand for the grain exists."

At the revision of the tariff in June, 1919, reciprocity, to the extent offered in the tariff act of the United States of 1913, was made permanent in so far as it can be made permanent by an act of the Dominion parliament.²

¹"In the first tariff that was enacted after Confederation—Dominion statutes, 31 Victoria, c 44—the tariff of 1870 for which the Macdonald government was responsible, there was an offer of reciprocity to the United States similar in scope and character to the offer that was embodied in the tariff of the united provinces in 1846."—Porritt, "Sixty Years of Protection in Canada," 1908, 165.

As recalled by the *Gazette*, of Montreal—April 19, 1917—there was again an offer of reciprocity in the Dominion tariff of 1879. In fact in every tariff enacted at the instance of conservative governments in the years from 1870 to 1896 there was an offer of reciprocity to the United States. These offers were on the statute books of the Canadas or of the Dominion of Canada for exactly half a century—Cf., Customs Tariff, 1894, sections, 7, 8, 10, 11, and 12.

²The United States law of 1913 can be repealed at any time by congress; and the same remark applies, of course, to the enactment for reciprocity passed in June, 1919, by parliament at Ottawa. The existing reciprocity arrangement is the first reciprocity arrangement based only on a concurrent legislation. The agreement of 1854-1866 was based on a treaty between Great Britain and the United States—a treaty which was implemented by legislation at the capitals of the British North American provinces, and at Washington.

Sir Thomas White, was singularly brief in announcing to the house of commons that permanency was to be given to the acceptance of the offer from Washington of 1913. "We shall," he said, in explaining to the house the resolutions on which the finance bill was to be based, "provide for the free importation into Canada of wheat, wheat flour, and potatoes, from countries which do not impose a customs duty on such articles grown or produced in Canada."¹

The finance minister dismissed the subject in the thirty words here quoted. There was not a word from him as to the value of reciprocity to the grain growers and farm of Canada. There was not a word from him recalling the fact that grain growers and farmers had been anxious for reciprocity for fifty-three years, or that reciprocity had been a question in Dominion politics from Confederation to the end of the great war.

There was not a word of apology to the people of Canada for the anti-reciprocity hullabaloo of February-September, 1911—for the hullabaloo by which the privileged class and its allies manoeuvred the conservative party into power.

Not a word of explanation was offered by White of why reciprocity in 1911 imperilled the connection of Canada with Great Britain, and of why a similar arrangement in 1917-1919 was of advantage to the Dominion and of no danger to the Empire.

Nor did the finance minister, who, as a banker in Toronto, was active and prominent in the anti-reciprocity campaign of 1911, attempt to revamp the explanation that the *Gazette*, of Montreal, offered for the acceptance in 1917 by the conservative government of the Washington offer of 1913.

¹Cf.—House of commons debates, June 5, 1919.

The conservative members of the coalition government, and also the conservative members of the house of commons supporting the coalition government, with one exception—Coekshutt, of Brantford¹—quietly and stolidly “ate crow.”²

But “eating crow” is a concomitant of taking service under the privileged class. The leaders of the liberal party, members of the rank and file of the liberal party in the house of commons, and also editors of liberal newspapers, were compelled to eat much crow in the years from 1896 to 1911.

Each increase in the penalty duties in the tariff; each curtailment of the preferential tariff; and each bounty enactment in the interests of the iron and steel companies, brought its big and nauseating mess of crow for liberal statesmen, liberal politicians, and liberal editors, who had lived through the era of liberal opposition to the conservative national policy tariff acts of 1879, 1884, and 1894.

“Eating crow” was a peculiarly disagreeable proceeding for the statesmen and politicians who were at the Ottawa liberal convention, and were responsible for the strongly-worded resolution denouncing the fiscal policy to which Macdonald in 1879 had committed the Dominion.

Equally, it was a disagreeable proceeding for editors of liberal newspapers, who, from 1893 to 1896, were continuously engaged in persuading their reading constituencies that salvation for Canada could only come through the election of a liberal majority to the house of commons, and the incoming of a government and parliament that would at once implement the fiscal pledges embodied in the Ottawa liberal programme.

¹Cf.—House of commons debates, June 11, 1919.

²“In American political terminology political parties which oppose policies or measures and then accept them, and put them into effect, are said to have eaten crow. Eating crow is popularly supposed to afford an extremely disagreeable meal.

"Eating crow" by liberal statesmen, liberal politicians, and liberal editors, never troubled the patrons of the liberal party of 1896-1911. It never troubled the privileged class that the liberal party had to eat such enormous messes of disagreeable stuff. The privileged class itself kept clear of the meal.

It stood also clear and apart from the "crow" that the conservative party was forced to eat when it completely abandoned its hastily-assumed attitude of 1911 towards reciprocity, and in 1917-1919 belatedly accepted the Washington offer of 1913.

Fielding, in the house of commons, on June 18, 1919, reminded the minister of finance that he and all his colleagues of the conservative administration of 1911-1917 hoisted themselves into power on the cry of "No truck nor trade with the Yankees," and on the cry of danger to the Empire."

¹"The great chieftains of finance, and of industrial combinations, seldom think it worth while to take the trouble of joining in parliamentary activities."—Edward Bernstein, "Problems of International Settlement," 145-146.

²"So we are asked by the honourable member for Brantford to recognize the fact that the minister of finance, who could not stand for any 'truck or trade with the Yankees' in 1911, is now bringing down a budget which contains many of the best features of the reciprocity agreement. 'No truck nor trade with the Yankees' was the slogan in 1911. It is true that the minister of finance has modestly disclaimed the authorship of that expression, but it was used in the campaign very generally; and no matter who was its author it was a correct and brief account of the campaign waged against the liberal party of that time. We have some further testimony. I find the very friendly *Ottawa Journal*, in its clever column of parliamentary correspondence, has the following on the subject: 'As for reductions on agricultural implements, western low tariff men should have no complaint in regard to them. They are the precise reductions provided for in Mr. Fielding's reciprocity act, Sir Thomas White having apparently taken the former's 1911 proposals as his 1919 model. The same thing may be said of wheat, flour, and potatoes. They are made free, just as was provided for by the reciprocity agreement, with the added step towards Cobdenism, that they are made free not alone to the United States, but to any country which makes them free to us.'"—Fielding, house of commons, June 18, 1919.

The answer to Fielding, by the minister of finance, was as brief as his speech of June 5, on reciprocity. "The chief objection that I had to the reciprocity agreement," said White, "was the fact that there was an agreement. What have we got to-day without any agreement? Flour is on the free list. Wheat is on the free list. This government put them there."¹

There were no references by conservative ministers in the debates on the finance bill of June, 1919, to the grain growers' movement. But it was well-known that it was the existence of the grain growers' movement, and the popular strength that had accrued to it in the years from 1910 to 1919, that explained the embodiment in the finance bill of the clause that gives permanency to the existing reciprocity arrangement with the United States.

The end of the war was thus marked by the third great success of the grain growers' and farmers' movement in Dominion politics.

The first success of the movement, it is well to recall, came in 1910, when the grain growers forced the Laurier government to make an end to the system of bounties to the iron and steel companies—bounties that in the aggregate easily covered the wages bills at the primary stages of the industry.

The second success of the grain growers' movement was achieved in 1911, when the Laurier government promptly and

¹Cf. House of commons debates, June 18, 1919.

"At one point the proposed reciprocity compact [the Taft-Fielding agreement of 1911] bears closely upon inter imperial relations. It is quite open to question whether, if free trade in wheat is established between the United States and Canada, an imperial preference in favour of colonial wheat entering the ports of Great Britain would not prove impossible, or at any rate, too complicated and expensive to be practical. It is evident that any such preference could only be granted where proof of the origin of the grain was forthcoming."—"Reciprocity between Canada and the United States."—*Quarterly Review*, (London), April, 1911, 505.

sincerely accepted the overtures from Washington for reciprocity.

Manifestly a new factor in Dominion politics emerged during Laurier's memorable tour of the prairie provinces in 1910; and the existence of this new factor, and its increase in potency from 1910 to 1919, explains more than the section in the tariff act of 1919 making acceptance of the Washington offer of 1913 no longer dependent on an order-in-council or on war-time legislation.

It explains the small reduction in duties on farm equipment, effected by the finance act of 1919; and also the fact that, despite the pleas of the protected manufacturers, there was an almost general repeal in 1919 of the increase in penalty duties enacted ostensibly as a war-time measure in 1915.

Obviously a new era in the fiscal history of the Dominion began when the organized grain growers and farmers in 1910 announced to Canada, and to the English-speaking world, that they were in Dominion politics to stay; that it was their purpose to act independently of both the liberal and the conservative parties at Ottawa; and to direct their propaganda with a view to securing a thorough and far-reaching reform of the fiscal system of the Dominion, as this system was developed after its control was gradually secured by the privileged class.

CHAPTER XX.

ATTITUDE OF PRIVILEGED CLASS AND OF GOVERNMENTS AND HOUSE OF COMMONS TOWARDS THE COMMON PEOPLE OF CANADA.

Patriotism in Canada, and the tie to the mother country, in 1911, like a certain man who a long time ago went from Jerusalem to Joppa, fell into the hands of men who had anti-social ends to achieve. These men used patriotism to serve their turn¹; and as a result of their forced and fervid appeals to patriotism, the privileged class for six years—1911-1917—was able to exercise a new power.

It was enabled during these years practically to dictate to the grain growers and farmers—seventy per cent. of the population, and manifestly the largest wealth-producing class in the Dominion—where they should not sell the produce of their labor.²

The privileged class was not able to say that Canadian farm produce should not be marketed in the United States. But, in the exercise of a power accruing to it from its election of the conservative government in 1911, it was able, for a period of six years, to prevent the produce of Canadian farms

¹Of 1,741 local trades unions in Canada, 1,531 are international in character. Yet the Dominion was warned from tariff relief on the threat that the loosening of the hold of the protected interests would undermine patriotism."—*Globe*, Toronto, June 12, 1912.

²In 1913, the last year before the war in which farmers were worked under peace or normal conditions, there were 35,374,930 acres under field crops in the nine provinces of the Dominion. The total value of the crops was \$552,771,500.—Cf. "The Year Book of Canada," 1918, 179.

from going into the United States—from entry into a market of one hundred and ten million people—on specially advantageous terms.

From 1858-1859 the privileged class of the united provinces, and from 1879 the privileged class of the Dominion of Canada, by virtue of statutes, invariably passed at its instigation, had been in a position to do two things.

It had been—as it still is—in a position to command consumers, as respects most of their purchases, to buy goods sent into market from factories or mines¹ owned by its members.

The privileged class of the Dominion, moreover, in the years from 1879 to 1911 had been in a position to command consumers to buy its wares at prices fixed by its members. Consumers, after 1879, had often to take them at prices notoriously fixed by combines or trusts, or through the operation of gentlemen's agreements.

In actual practice consumers in these thirty-odd years—1879-1911—were compelled to take these “made-in-Canada” goods, as consumers under similar conditions still existing are, in practice, compelled to take the output of the highly protected factories owned by members of the privileged class.

The company store principle was, in these years, deeply and firmly embodied in the fiscal code; and willy-nilly, consumers had to submit to company store restrictions on freedom of purchase, and to company store conditions and prices.

From 1879 to 1911 consumers had to take these “made-in-Canada” goods, or to be mulcted in increasingly heavy penalty

¹It was 1879 before there were protectionist duties in Dominion tariffs in the interests of owners of bituminous coal mines in Canada. The duty on coal, imposed by the first free trade policy tariff of 1870, was, it will be remembered, repealed in 1871, in consequence of opposition in Ontario, which imports nearly all its bituminous coal, and all its anthracite coal, from Ohio, Indiana, and Pennsylvania.

duties. They were compelled to take them at prices fixed by protected manufacturers, or be mulcted in penalties set forth in schedules which were parts of acts of parliament—parts of acts of parliament, it cannot too often be emphasized, on which most of the continuing power of the privileged class is based.

The penalties are euphemistically described in tariff legislation as import duties. They are the charges which automatically fall on consumers who perversely or contumaciously buy from England or Scotland or Ireland, or from the United States, goods similar, in general, to goods which carry the tag "made-in-Canada."

It will, of course, be contended by protectionists that import duties are not penal duties. Protectionists will declare that import duties—all import duties—are imposed to raise revenue.

But there is an important difference between an import duty for revenue and a penalty duty. In practice all protectionist duties manifestly become penalty duties. They are enacted with a view to penalizing consumers who will not purchase "made-in-Canada" goods.

A purchaser must either pay a penalty duty, which goes into the treasury, or pay its equivalent to some highly protected manufacturer.¹ No middle course is open to him. Framers of a protectionist tariff are always careful that there shall be no avoiding payment of one kind or the other.

¹"I have no use whatever for the principle of protection. It is vicious in principle, and the sooner we do away with it the better. . . . Our present tariff system is the most expensive way of collecting a revenue. Last year we collected, I believe, about \$160,000,000 under the customs tariff. I am satisfied that we paid on account of that tariff at least \$500,000,000; that leaves \$340,000,000 that does not go into the treasury."—Mr. Levi Thompson, Qu'Appelle, house of commons, March 15, 1919.

If a Canadian imports a suit of clothes from London, he pays a penalty duty for what the privileged class would describe as his lack of patriotism. The framers of the tariff, and the protected manufacturers, who are always near at hand when a tariff is being framed, intended that this duty should be a deterring or penalty duty, as distinct from a duty imposed solely with a view to revenue.

The attitude of the protected manufacturers is that they are Canadians—and that as a matter of right they are entitled to all the Canadian trade they are equipped to handle, and without any interference by government as to the terms on which they are to have a monopoly of the trade. This, in brief, is an explanation of why there are penalty duties in the tariff.¹

Fielding explained the working of the penalty duty system during the debate in the house of commons on the finance act of 1919. He took the duties on boots and shoes to illustrate his explanation.

In the tariff of 1907, as amended by the war time tariff of 1915, there was a penalty duty of 32½ per cent. on boots and shoes, pegged or wire fastened, imported from the United States. On boots and shoes of a superior make, imported from the United States, the duty was 37½ per cent.

"We received by way of duties on leather boots and shoes imported from all countries last year (1918-1919)," said Fielding, "\$934,000, or practically twelve cents per head of population. I venture to say that ninety per cent. of these shoes were high-grade shoes, for the city trade only. Travelers for American concerns do not go to the small towns and villages. They supply their goods entirely to the city trade."

¹"The privileged interests in Canada mistake special privileges for inherent right"—*Globe*, Toronto, June 14, 1912.

"In proof of that," continued the author of the tariff acts of 1897 and 1907, "I have only to point out that there are two items in the customs tariff for boots and shoes; one for leather boots and shoes, * * * and the other for boots, riveted, nailed, or wire-fastened. The latter are the shoes worn by the farmers around the farm, or workmen in the factories."

"How much," Fielding asked, "do you suppose we received last year by way of duties on these shoes? The magnificent sum of \$3,000. \$3,000 for the workingman's shoes, as against \$934,000 for the shoe that is used in the city. Yet the farmers are told that they are being robbed by the shoe manufacturers. When it comes down to the ordinary every-day shoe, we must remember that it is not imported into Canada; for the simple reason that the Canadian manufacturer turns it out at a price which does not justify importation from the American manufacturer."¹

No member of the house of commons can possibly know the tariff act of 1907 better than Fielding. No member, moreover, is better acquainted with the way in which penalty duties serve the protected manufacturers than the finance minister of the liberal administration of 1896-1911.

Fielding's explanation of the working of the system of penalty duties, as applied to boots and shoes, is interesting. It would have been still more interesting, and of exceeding value as a statement of the working of the protectionist system, from Canada's foremost expert in tariff economy, had he also explained that in determining the price at which "boots, riveted, nailed, or wire-fastened"—farmers' and artisans' and laborers' wear—are sold by Canadian manufacturers, these manufacturers keep in mind the fact that a "made-in-Canada" boot or shoe is protected in normal times,

¹House of commons debates. June 18, 1919.

by a penalty duty of twenty-five per cent.;¹ and that almost invariably a sum equivalent to the duty is added to the selling price of the "made-in-Canada" shoe.²

Protected manufacturers could not be expected to maintain, as they have done for forty years, a keen and continuous interest in penalty duties if they could not add the equivalent of the penalty duties to the selling price of their wares.

Mr. Arthur Balfour obviously had penalty duties in mind when he made his memorable speech on protection in 1904. "The object of protection," he told his audience at Edinburgh, "is to encourage home industry. The means by which it attains that object is by the manipulation of a fiscal system to raise home prices."

"If the home prices are not raised," continued Balfour, "the industry is not encouraged. If the industry is encouraged, it is by the raising of prices. That is, in a nut-shell, protection properly understood."³

Even Balfour, now a veteran at Westminster, could not teach the privileged class of Canada, or protectionist politicians at Ottawa, anything new about penalty duties. Both manufacturers and politicians are well aware that penalty duties are never framed solely with a view to raising revenue.

The primary and principal object of penalty duties in Canadian tariffs is to give statutory assistance to manufac-

¹Item 611—Tariff act of 1907.

²"The consumer pays \$3.90 for boots under protection that he could get for \$3 under free trade, no one but the manufacturer getting the benefit of the difference. Three dollars a day, under free trade, would be as good as \$3.90 under protection in the purchasing of boots. A farmer selling wheat at 75 cents would secure a pair of boots under free trade for four bushels. He has to give 5 1-15 bushels under protection. In other words, every fifth bushel goes to the manufacturer."—R. McKenzie, secretary, Manitoba grain growers' association, Winnipeg.—*Sun*, Toronto, November 13, 1912.

³*Times*, London, October 4, 1904.

turers in increasing, or in boosting, the price of wares made in Canada. These duties are manifestly enacted to aid manufacturers in practising the art of the profiteer.¹

No one, except he is of the privileged class, can defend a revenue duty of thirty or thirty-five per cent. on a suit of clothes, or a revenue duty, like that during the war, of 32½ per cent., imposed on boots and shoes such as are worn by farmers and grain growers, and worn generally by the wage-earning population of Canada.

If Canada were not on a high protectionist basis—if the Dominion were swept free and clean of the now long surviving humbug and hot air about tariffs for revenue with "incidental"² protection to Canadian industry, there is not a man in the house of commons to-day who dare in parliament, or on the platform in his constituency, attempt to defend duties of thirty or thirty-five per cent. on ordinary wearing apparel.

Such a tax—applied generally, and openly to all purchases of wearing apparel, collected, as purchases were made, by officers in the uniform of the government, and turning it all into the Dominion treasury, as penalty duties on imports are turned into the treasury—would be a manifestly unfair and unjust method of raising revenue to defray the expenses of the government.

It would result in unfairness and injustice to men with large families, in receipt of the usual wages or salaries paid in Canada, where in 1919 there were, out of a population of

¹"Protection is the historic name for the policy of keeping up by import duties the price of articles that are produced at home."—Right Honourable J. M. Robertson, "Free Trade", (London 1919), 1-2.

²"Casual, not essential; liable to happen."—"The Concise Oxford Dictionary of Current English," 1918.

nearly eight millions, only 46,176 persons assessed for payment of income tax.¹

Of this number only 5,885 were classed in the income tax returns as farmers, grain growers, or stock raisers. Of the \$9,000,000 accruing from the tax, only \$417,000 was collected from farmers, grain growers and stock raisers.²

A tax of thirty or thirty-five per cent. on wearing apparel, or of twenty-five or thirty per cent. on boots and shoes—a tax collected by methods which would constantly remind Canadians that it was payable on their purchases of clothes, or of hoots and shoes, or of some descriptions of food—would popularly be regarded as a gross outrage.

It would not be tolerated longer than from the end of one session of parliament to the begining of the next. It would be utterly intolerable to men and women, all able to exercise the parliamentary franchise, and living, moreover, under a free and democratic constitution, such as has, for at least seventy years, been the great and treasured possession of people in the British North American provinces, or in the Dominion of Canada.³

¹Cf. Statement by White, minister of finance, house of commons debates, June 19, 1919.—At the time this statement was made the tax was payable, in the case of single men and women, on incomes of \$1,000. In the case of married men it was payable on incomes of \$2,000 and over.

The total number of persons who in 1919 came within the provisions of the income tax law of the Imperial parliament was 5,346,000. The tax is payable on incomes of £130 and over.

²Cf. "Saskatchewan, Co-operative Elevator Company, Limited, News," June, 1919; White's statement, house of commons debates, June 19, 1919.

³"The Dominion of Canada, like all the dominions, is under responsible government in the fullest meaning of the term. Canadians pride themselves on this fact. . . . Responsible government for all the colonies that are now of the dominions had been established for at least two decades before 1894. Its establishment, and the success which has

attended it in Canada, Australia, New Zealand, South Africa, and Newfoundland, is the greatest political achievement of people under British rule in the 140 years between the American revolution and the war between Great Britain and her allies and the Teutonic powers."—Porritt, "The Evolution of the Dominion of Canada; Its Politics and its Government," 12 and 260.

Such a fiscal system could not, as has been suggested, last for a longer period than the duration of the parliamentary recess. But under the system that, owing to lack of democratic control of fiscal policy, has now survived for forty years, the protected manufacturers, in pricing their wares avail themselves of their statutory power to compel purchasers of them to pay the ordinary cost, plus the equivalent to the penalty duties on similar imported wares.

It is seldom denied by the manufacturers that they charge up to the limit of their tariff protection. Foster, in a speech quoted in a preceding chapter—a speech made as long ago as 1894—told the house of commons that under national policy tariffs this would be the rule with Canadian manufacturers.

It manifestly has always been the rule; and the experience of consumers since 1879 is that every upward revision of the tariff is promptly and generally followed by increases in price.

Mr. J. R. Clynes, one of the leaders of the labor party at Westminster, who was food controller in the first coalition administration of Lloyd George, told students at Cambridge, in August, 1919, that scarcity of commodities was the opportunity of the profiteers.¹

Tariff protected manufacturers, as a class, continuously act in the spirit of the profiteer. Otherwise why do they organize trusts and combines, or tie themselves up by gentlemen's agree-

¹Cf. "The Profiteers' Opportunity."—*Yorkshire Post*, Leeds, August 8, 1919.

ments in the marketing of their wares? The whole intent of protectionist tariffs is to create scarcity, as far as scarcity can be created by keeping out goods from abroad.¹

The object of protection is to narrow the market open to consumers in the protected country.² Almost every protected manufacturer who appeals to a tariff commission for more statutory protection for his undertaking does so with the manifest intention of creating a scarcity of goods from abroad similar to the goods he is manufacturing. He is seeking what Clynes described as the profiteer's opportunity. Hence penalty duties in tariffs. Hence also the anxiety of protected manufacturers at tariff revisions that penalty duties shall be increased.

There were at least seven revisions of the Dominion tariff in the years from 1879 to 1919. There were tariff commissions for the revisions of 1894, 1897, and 1907. But not one of the now surviving members of these commissions—Foster, Fielding, and Brodeur—could to-day recall a case in which a protected manufacturer appeared before the commission, and intimated his willingness that the penalty duty to protect his undertaking should be reduced.

For seven weeks I was in daily attendance at the public sessions of the tariff commission of 1905-1906. There were sometimes sessions, which, with short intervals for lunch and dinner, extended from ten o'clock in the morning, until ten or eleven o'clock at night. I sat through all these sessions. I

¹"Why, we are asked, have so many enlightened countries established tariffs if they do not find that they gain by them? The complete answer is that in every country tariffs have been set up or maintained by organized combinations of interests which either bewilder or overbear those whom they are going to plunder."—J. M. Robertson, "Free Trade," 211.

²Cf. A. C. Pigou, "Protective and Preferential Duties," 1906, 78-82.

took full and careful note of the proceedings. But at the end of the public hearings, when I summed up the work done in public by the commission,¹ I could not recall a single instance in which a manufacturer assured the commission that he could get along with less protection than was afforded him by the Fielding tariff of 1897.

Nearly all the manufacturers who appeared before the commission asked for higher duties. They desired that parliament, in the interest of the privileged class, should create scarcity of the kind described on a preceding page in this chapter. They were manifestly eager for what Clynes, at Cambridge, described as the profiteer's opportunities; and in nearly every case, as has been recalled earlier in these pages, government and parliament in 1907 increased penalty duties to this obviously anti-social end.

If every salary and wage earner, every grain grower, and every farmer and fisherman, had been high up in the income tax list,² the liberal government could not have been more ready to concede this manufacturer an increase of two and a half per cent. in his particular penalty duty, and that manufacturer an increase of five per cent., than it was at the revision of 1906-1907.

In preparing a record of my impressions of the commission, I described the spirit in which the protected manufacturers appeared before it. I described also the prosperity of Canada at the time the tariff commission was working its way across the continent. The railway construction boom in Canada beyond the great lakes was nicely under way. In 1904, 130,000

¹See "Canada's Tariff Mood Towards the United States," *North American Review*, April, 1906, 566-567, and "Sixty Years of Protection in Canada," 433-454.

²It should perhaps be recalled that there was no Dominion income tax law until 1917.

immigrants had arrived in the Dominion; in 1905, 146,000; and in 1906, 189,000.¹

As a result of the booms in immigration and in railway construction, and the assured prospect of a large and steadily increasing stream of grain from the prairie provinces to the head of the lakes,² there were evidences on all hands of industrial activity and great prosperity among manufacturers.

"Yet," continues the record of my impressions of the tariff commission, "with all these conditions in their favor, with every even fairly well-managed industrial plant earning money for its owners at a rate without precedent in Canadian economic history, manufacturers, reeking with prosperity, appeared before the tariff commission and unblushingly demanded an increase of seven and a half per cent. on this item, and ten per cent. on that."

"These demands," reads the last paragraph describing my impressions of 1905-1907, "were made as of right, regardless of the fact that there are men and women behind dollars; that dollars must be earned; that earning means toil; and that the average income of a wage earner" in industrial Canada in 1905 was only \$419 a year."⁴

The concessions to the manufacturers embodied in the tariff act of 1907—a tariff act that was passed by a parliament in the house of commons of which the liberal members numbered 139 and the conservatives 75—were made with the

¹"Immigration Facts and Figures," Ottawa, 1918. 2.

²This prospect was fully realized. In 1904 the exports of wheat were 23,000,000 bushels; in 1906, 47,000,000 bushels; in 1908, 52,000,000 bushels.—Cf. "Report on Grain Trade in Canada," issued in 1919, 66.

³"Sixty Years of Protection in Canada," 436-437.

⁴According to an estimate published in *Industrial Canada*, in July, 1919, each factory or industrial employee has, on an average, two dependents.

same utter lack of consideration of those who must toil for their living as characterized the demands of the manufacturers for more protection made before the tariff commission.

It was the same again, only more so, when the conservative government in 1915 increased duties in the general tariff by seven and a half per cent. There was the same utter lack of consideration for men and women who toil. There was the same lack of thoughtfulness for people in the two millions or more homes in rural and urban Canada which must be maintained on incomes ranging from \$500 to \$1,000 a year.

It need not be emphasized, that in these homes, if there is an increase of seventy-five cents in the price of one essential commodity, and a similar increase in the price of another essential commodity,¹ other articles, almost equally essential, must be foregone, or some extra work that will bring in extra money must be sought and secured.²

Wages in any protected country cannot be stretched out as easily as penalty duties can be enacted or be increased by act of parliament. To this fact the republican party in the United States owed its defeat at the presidential and congressional elections of 1892—two years after the privileged class of the United States had compelled the republican party to shoulder responsibility for the McKinley tariff.

¹"An increase of ten cents, or even four cents in the cost of an article at the mill, has been followed by an increase of 50 cents to the consumer, and an increase of 37 cents at the mill has been followed by an increase of \$1.00 to the consumer."—W. A. Mackintosh, "The Problem of Prices," Bulletin of the Department of History and Political Science, Queen's University, Kingston, Ontario, quoted in *Grain Growers' Guide*, August 13, 1919.

²Laurier manifestly had in mind homes in which incomes are small and outgoings always equal to incomes, when in his speech at Winnipeg in 1894 he described protection as slavery.

The pitiful story of the revision of the Dominion tariff in 1907, and the similarly pitiful story of the upward revision of 1915—these stories of the utter thoughtlessness of the privileged class, and of governments and of the house of commons, in regard to what increases in penalty duties mean for wage and salary earners, and farmers, grain growers, and fishermen—moreover, must obviously continue until there is democratic control of fiscal policy.

Stories similar to those of 1907 and 1915 must continue to characterize the fiscal and social history of Canada—stories of the anti-social use to which parliament, at the instance of governments of both political parties—puts its power to tax all the people of the Dominion—until there is a radical change in the attitude of the house of commons towards fiscal legislation.

The privileged class will continue to be the predominant partner in its now long existing partnership with governments as regards tariff legislation, until one great and manifestly much needed reform is effected in the house of commons.

It is a reform that can be effected only by the electors. It is a reform that will make an end to the system, almost as old as national policy tariffs—a system maintained by both political parties—under which majorities, supporting governments, are willing, after some perfunctory explanations offered in the secrecy of party caucus, to accept, endorse, and help to enact tariff bills which notoriously have been framed by governments, not in the interest of all the people of Canada, but in the interest of, comparatively speaking, an exceedingly small but highly privileged class.¹

¹From the income tax statistics for 1918-1919 it is possible to arrive at approximately the number of men engaged in the protected industries of Canada whose receipts or earnings from these industries bring them within the class that is assessed for income tax. The total number of

persons assessed in 1918-1919 was 46,176. Of these 5,885 were farmers, grain growers, or stock raisers. Assuming that 7,500 of the men assessed were professional men, civil servants, and men engaged in transport, and that another 7,500 were men in the distributing trades and men engaged in the building trades, this would give us a little over 25,000 men deriving incomes of the income tax scale directly from industries bolstered up for forty years by national policy tariffs.

For the purpose of this calculation it has been assumed that all the 46,000 income tax payers of 1918-1919—years of unexampled industrial and commercial prosperity—were men. It has been further assumed that all these men in 1918-1919 were actively engaged in business. No account has been taken of men living on pensions or annuities or on returns from investments. The number of men paying income tax engaged in the professions, in the civil service, in transport and in the distributing trades, is, moreover, manifestly below, rather than above, the actual number.

It is doubtful whether the protected industries in 1918-1919 furnished 25,000 payers of income tax; and included in this number, besides owners there would be, of course, superintendents of factories and departments of factories, and also the more highly paid members of the office staffs.

"The factories of Canada employ at present about 700,000 people. Estimating that each employee has on an average two dependents, the factories of Canada support directly about 2,000,000 Canadians. These factories therefore enable 2,000,000 Canadians to live in houses, to secure food, clothing and other necessities and comforts of life."—*Industrial Canada*, July, 1919.

Under political and economic conditions which in this chapter, and elsewhere in these pages, have been described as existing, or developing in the thirty-two years from the enactment of the national policy act of 1879, to the peremptory veto by the privileged class of the Taft-Fielding reciprocity agreement of 1911, the privileged class was in a statute-created position to levy two sets of tolls on all the people of Canada.

It was, moreover, in a position to levy an additional, or third toll, on farmers and grain growers who, with their families, constitute seventy per cent. of the population of Canada.²

²These three tolls are described in the next chapter—Chapter XXI.

It might have been imagined that power to levy these tolls would have been regarded as sufficient by the privileged class. Canada, and the English-speaking world, was made aware in 1911 that this power was not so regarded by the men who have so long exercised it. They reached out for more.¹

It was their ambition to dictate to farmers and grain growers where they should not sell their produce. They overreached themselves; and in 1919 their power to levy two sets of tolls on all Canadians, and a third set on men who need much mechanical equipment in their business—men for whom the free lists of tariff acts carry few or no privileges—was resolutely assailed in almost every farming community in the wide stretch of country from the Ottawa river to the eastern foothills of the Rocky mountains.²

¹One explanation of why the privileged class reached out for more power was offered in the report of the tariff committee of the Canadian manufacturers' association for 1918-1919. "While the 1911 reciprocity treaty (there was no treaty) represented an important step in the direction of free trade between the two countries, nevertheless its provisions fell a long way short of complete free trade. Yet, that one important step in the direction of free trade with the United States, in the judgment of those two eminent men (Taft and Roosevelt) would have reduced our present, separate, British nationality to the negative status of an 'adjunct' to the United States."—*Industrial Canada*, July, 1919.

²"As the tariff changes demanded at this session of parliament (1919) go much farther than the reciprocity agreement (of 1911), towards free trade with the United States, the threatened danger to the future of Canada is proportionately increased. From these denationalizing agencies our protective customs laws, inaugurated forty years ago, preserve our country. It is fundamental that the maintenance of our separate British nationality depends upon the retention of our freedom to shape our protective customs laws to serve our own needs."—Report of tariff committee of Canadian manufacturers' association for 1918-1919, *Industrial Canada*, July, 1919.

"There is every reason to believe that candidates can be elected to support the farmers' platform in 38 or 40 constituencies in these three provinces. When a solid western unit, elected on the farmers' platform, sits in the house of commons, then, and only then, will the rights of

the farmers of Canada receive due attention from the government. . . . The old parties will be busy trying to divide the farmers, and each bidding for their support. The farmers have had plenty of experience with both the old parties, and know what to expect from them. A wise and safe thing would be to have their own organization and maintain it intact, both in the country and in parliament. They will then be in a position to work with any other party or any other organization which is moving in the same direction, and has the same objective."—*Grain Growers' Guide*, July 28, 1919.

It was more generally assailed than at any time since parliament created the privileged class, and began to manifest its recurring readiness to help this class to enrich itself at the expense of all other classes, often at the cost of a lower standard of living for most people whose incomes are below the income tax scale.

CHAPTER XXI.

TOLLS NO. I. AND TOLLS NO. II.

In the preceding chapter the statement was made that the statutory privileged class can levy, and for now forty years has levied, two sets of tolls on all the people of Canada.

It was further stated that it can levy, and has for a similarly long period levied, an additional or third toll—quite a heavy, and to some extent a continuing toll—on men who, like farmers and grain growers, must have more or less costly mechanical equipment in their possession in order to earn their livelihoods.

In this chapter I propose to discuss toll No. I. and toll No. II, that the protected manufacturers—in whose interest the principle of the company store has for so long been embodied in the fiscal system—levy on the eight million inhabitants of the Dominion.

It is possible, of course, to make some purchases in Canada without paying appreciable tribute, directly or indirectly, to the privileged class; and also without payment of penalty duties.

No one would suggest that the company store principle applies in the case of a housewife in Charlottetown, who makes a purchase of potatoes grown in Prince Edward Island.

There is not, and there never was, any operative tariff protection for growers of potatoes in the beautiful island province.

No tariff protection is required, because there is a natural protection, due to insular situation and climatic conditions.

No potato grower in Newfoundland, or in any of the New England states, would ever dream of shipping ordinary potatoes to Prince Edward Island, or of attempting to make a market for his produce at Charlottetown.

It is doubtful, moreover, if anywhere in Canada there is a potato grower who can show that in marketing ordinary potatoes he was ever at a disadvantage in consequence of importations of potatoes from New England, or any other of the states of the American union. Except as regards early potatoes, sold at fancy prices, the movement of potatoes in the New England states is from north to south.

It is possible, also, to buy cordwood at Valleyfield, St. Hyacinthe, St. John, and other cities in the province of Quebec, without paying an appreciable toll or tribute to the privileged class. Quebec does not import cordwood. It exports it. No state in the American union can, at a profit, export cordwood to the old French province.

What has been written in the preceding paragraphs concerning potatoes and cordwood is also true of sawdust, which, like unmounted artificial teeth, dragon's blood, and menageries, is on the free list.

Other purchases of natural products might be named in respect of which the protected manufacturers collect no appreciable toll. But all the people who have these natural products to market must in one form or another, and to a greater or lesser degree, submit to at least two sets of the exactions of the privileged class.

They must pay toll No. I. and toll No. II. In most cases they are liable to all three exactions; for no men cultivating

natural products, such as grain or potatoes, and not even men who have cordwood or sawdust to market, can go about their business without tools.

It is manifest that the more simple the life of men and women in Canada, the less they pay in toll to the protected manufacturers. The people who pay least, it has always seemed to me, are the Indians, like those whose summer time tepees can be seen from the windows of the cars of a Canadian Pacific train that is forging its way along the romantic shores of Lake Superior.

The fewer a man's wants, the lighter the burden that is loaded upon him, because governments and parliament at Ottawa have embodied the company store principle, securely buttressed by heavy penalty duties, in tariff legislation, and camouflaged the acts creating, continuing, and generously nourishing the privileged class, by euphemistically describing them as national policy tariffs.

There must be hundreds of thousands of people in Canada, especially in the large cities, who do not pay toll No. III. They escape it only because they need no tools or mechanical equipment, which they themselves must buy, in order to earn their livelihoods.

But toll No. I—the toll on the cost of building a dwelling house, and on the cost of equipping it with furniture necessary to a civilized life, even on the lowest plane—and toll No. II, the toll on expenditures on food, on clothing, and on boots and shoes,¹ and in some places on bituminous coal—cannot be

¹"May I again call the sympathetic attention of the house to my poor farmer in the west? His linen clothing will still be taxed 35 per cent. if it is brought in from the United States. His woollen clothing still bears a duty of 35 per cent. and as hon. members sitting in front of you, Sir, will tell you, warm woollen clothing is a necessity out in the west. The duty on fur caps runs as high as 35 per cent. The farmer

who has to buy a pair of mitts and gets them from the United States has still to pay a duty of 85 per cent., and his collar and cuffs still bear a duty of 37½ per cent. I am giving the rates under the general tariff. Boots and shoes are still taxed 30 per cent."—McMaster, house of commons, June 9, 1918.

"If the government really desires to reduce the cost of boots and shoes there is a simple way by which this end can be secured. Knock off the duty on American boots entering Canada."—*Farmers' Sun*, Toronto, quoted in *Farmers' Tribune*, Winnipeg, September 11, 1919.

escaped by any of the eight million people of the Dominion.

These tolls are a charge on the young and on the aged. They are paid by, or for, dwellers in the spacious and luxurious homes in the residential areas of Montreal, Toronto, Winnipeg, and Vancouver. They are paid, moreover, by, or for, the men, who in the winter, are in the logging shanties of the eastern provinces, and of British Columbia.

Even the Indians on the reservations, if they have money to spend, must pay their quotas, at least of toll No. II.

Toll No. II. is the most interesting of the general tolls to examine. The frequency of its collection, and the fact that it is paid by every man, woman, and child in Canada, easily give toll No. II. first interest. It has this interest both from the point of view of consumers, compelled by law to do their trading in accordance with the principle of the company store, and from the point of view of the privileged class.

It is a toll that must be paid at once in respect to newly-born infants; and, as long as a child, or a youth, or a man, or a woman, lives, there is positively no way of side-tracking, or completely escaping or evading toll No. II.

It is sometimes possible to evade payment of penalty duties by resorting to the devices and tricks of smugglers. But by none of the many devices of the smuggler is it possible to evade the tolls which the protected manufacturers levy and exact

from all the people of Canada, because there are penalty duties—five or six hundred of them—in the Dominion tariff.¹

Toll No. II. simply cannot be dodged or evaded. Payment of it begins at birth. It must be paid, in fact, in anticipation of the birth of a child; for on the materials necessary for a layette there are penalty duties ranging from 22½ to 37½ per cent.²

These are the duties in the general list of the tariff—in the Fielding tariff of 1907. But these duties do not represent the amounts actually paid by purchasers of equipment for a layette because there are high protectionist duties in national policy tariffs.

The manufacturer prices his goods up to the limit of the penalty duty protection the tariff act affords him. He can so mark up his prices on his wares without the least fear of hav-

¹"The Canadian customs tariff, in all its ramifications, adds more than 80 per cent. to the cost of imported footwear. It also adds to the cost to the purchaser of the home-produced article. Manufacturers are just human; and they take advantage of the protective tariff. Canada, many years ago, prior to the war, stood indolent before the world as an example of a nation wherein the cost of living had risen more rapidly than in any other civilized country in the whole world."—*Farmers' Tribune*, Winnipeg, September 11, 1919.

In an editorial article, commenting on the penalty duty on apples, and what this duty meant to children in the prairie provinces, the *Grain Growers' Guide*, August 27, 1919, recalled the anti-social character and influence of national policy tariffs. "Protectionism," it remarked, "In addition to being the most potent producer of political debauchery, is, in its workings, a source of injustice and injury to human lives and of deprivation in the homes of the people."

²Baskets, 80 per cent.; white cotton fabrics, 25 per cent.; blankets, 35 per cent.; waterproof materials, 85 per cent.; ribbons, 85 per cent.; manufactures of silk, 37½ per cent.; babies' feeding bottles, 32½ per cent.; towels, 30 per cent.; tinware bath, 25 per cent.; soap, 2 cents a pound; sponges, 17½ per cent.; and ointments and skin powders, 25 per cent.

ing to meet the competition of other Canadian manufacturers, when he is in a trust or combine.¹

A manufacturer can also price his goods in the same spirit—in the spirit of the maxim "all the traffic will bear"—when he is marketing the output of his factory under the conditions of a gentlemen's agreement.

It has long been obvious that a gentlemen's agreement is as serviceable as a trust or combine to a manufacturer who is intent on exacting from consumers all the toll which the tariff act authorizes, and also continuously and effectively aids him to collect.²

The wholesaler who buys from the manufacturer is always careful that he collects his profit on the amount that is thus added to the price of an article by the manufacturer.

Profits of wholesalers, even when there is no risk as regards stability and credit of retailers, are seldom less than ten per cent. When goods reach the retailer from the wholesaler, the retailer must add his profit on the amounts added to the cost, by reason of the national policy penalty duty, by the manufacturer and also by the wholesaler.

Retailers' profits, in normal times, vary from twenty-five to thirty-three and a third per cent. Consequently when the equipment for a layette is passed over the counter to the purchaser, the added cost, due to penalty duties, is much higher than the duties specified in the tariff act.

"If one fact has been demonstrated more clearly than another it is that the trust flourishes and the consumer suffers, no matter what the machinery for his protection, so long as there are restriction and tariffs behind which industry can shelter."—*Westminster Gazette*, September 16, 1919.

"Protective tariffs are utterly discredited in the school of sound economics, as well as in the religion of brotherhood."—Dr. Clifford, president, Brotherhood international congress, City Temple, London, September 18, 1919.

Two profits, aggregating not less than thirty-five per cent., have been added to the amount of the protectionist duties.

In England, when the protectionist system was revived during the war, and in the months following the armistice of November, 1918, similar profits on import duties were described as snowball profits.¹

Snowball profits, which accrue to middlemen, are inevitably a characteristic of a protectionist system. They are, it need not be emphasized, always paid by consumers. They explain why the real burden of a protectionist system cannot be realized only from an examination of the duties in the tariff schedules.

Toll, under the fiscal system of Canada, is exacted in respect of an infant from the time it begins to look round on the world; and until a boy or a girl reaches maturity, and starts out in life on his, or her, own account, payments in respect of toll No. I. and toll No. II. must be made by parents.

Parents must provide shelter, either in a house they own, or in a house which they must rent; and whether a man owns or rents a house, he is equally liable for, and must pay, toll No. I. in respect of his dwelling.²

¹Cf.—*Truth*, London, September 24, 1919.

²Bricks, 22½ per cent.; drain pipes, sewer pipes, chimney linings, chimney tops, and earthenware tiles, 35 per cent.; building stone and flag stones, 15 per cent.; manufactures of stone, 30 per cent.; marble and granite, 35 per cent.; roofing slates, 75 cents per hundred feet; slate mantels, and other manufactures of slate, 30 per cent.; manufactures of wood, 25 per cent.; mouldings, 25 per cent.; glass in sheets, 25 per cent.; varnishes and driers, 2 cents a gallon; putty, 25 per cent.; white lead, 30 per cent.; white lead ground in oil, 37½ per cent.; brass and copper nails, 30 per cent.; manufactures of nickel silver, 30 per cent.; iron and steel pipe, or tubing, 30 per cent.; gas meters, 35 per cent.; lamps and chandeliers, 30 per cent.; bath tubs, lavatory equipment, sinks, and laundry tubs, 35 per cent.; and wall papers, 35 per cent.

If a man builds a house for himself, sums equal to the penalty duties on material and builders' supplies, must be paid to the privileged class.

Not less than twenty-five to thirty per cent. is thus added to the cost of much of the more expensive material that goes into a house. The cost of a house, to the owner, is increased by the penalty duties to this extent.

It is a payment of toll No. I. In the case of a house that is rented, the rent, as a matter of course, is partly determined by the extra capital outlay rendered necessary by the existence of penalty duties; and so, as has been said in a preceding page, neither an occupying owner of a house nor the tenant of a house, can escape payment of toll No. I.

The larger the family, even in the case of families supported by wage and salary earners, the larger the payment in respect of this toll.

It is the parents also who must provide food and clothing for a child. On the cost of these—on many foodstuffs,¹ and

¹Canned meats, 27½ per cent.; cheese, 8 cents a pound; lard, 2 cents a pound; fresh meats, 8 cents a pound; mustard, 27½ per cent.; yeast, 6 cents a pound; beans, 25 cents a bushel; buckwheat, 17 cents per bushel; barley, 15 cents per bushel; oatmeal and rolled oats, 60 cents per hundred pounds; rice, 75 cents per hundred pounds; sago and tapioca, 27½ per cent.; biscuits, 25 per cent.; biscuits, sweetened, 30 per cent.; tomatoes, 30 per cent.; vegetables, 30 per cent.; pickles, 35 per cent.; apples, 40 cents a barrel; pears, 50 cents per hundred pounds; plums, 30 cents per bushel; melons, 8 cents each; peaches, \$1 per hundred pounds; fish, preserved in oil, 35 per cent.; oysters, per pint can, 8 cents; oysters in shell, 25 per cent.; arrowroot, 1 cent a pound; chicory, 3 cents a pound; coffee, 6 cents a pound; condensed milk, 8¾ cents per pound; milk foods and prepared cereal foods, 27½ per cent.; fruit in cans (weight of can to be included in the weight for duty), 2½ cents per pound; jams, jellies, and preserves, 3¾ cents a pound; sugar, \$1.93 per hundred pounds; and confectionery, ½ cent per pound and 35 per cent. ad valorem.

The foregoing duties are those of the tariff of 1907, as amended, so as, in most cases, to increase penalty duties, by the acts of 1909, 1913, and 1914. The duties are those of the general list. This is the most important of the three lists, because it applies to dutiable importations from the United States.

on all clothing,² the privileged class collects toll No. II. It never fails to levy and collect its statutory toll, or to compel purchasers of similar imported goods to pay penalty duties to the government.

The purpose of a protectionist tariff, it cannot be too frequently reiterated, is to put manufacturers in a position to levy and collect toll; or, as an alternative, applicable to the case of contumacious purchasers—people who decline to have “made-in-Canada” goods forced upon them, at “made-in-Canada” prices—to turn a stream of penalty duties, as distinct from socially conceived revenue duties, into the treasury of the government.

A penalty duty, it may be said again, is an unfair and anti-social duty. It is anti-social in conception. It is wholly anti-social in its operation and effect. But it is the only method, so far devised, for making the company store principles applicable to all the people of a country in which a protectionist system is established.

²Penalty duties on clothing range from 25 per cent. on white cotton cloth, to 37½ per cent. on collars and cuffs and manufactures of silk. In this schedule of the tariff—a schedule that affects every man, woman, and child in Canada—there are at least thirteen penalty duties of 35 per cent. or over, and quite a large range of men's, women's, and children's clothes are subject to these duties.

What a duty of thirty-five per cent. means to purchasers, and alike to purchasers of goods from the United States, or of “made in Canada” goods, can be illustrated by taking one example. If a suit of clothes is imported from New York or Boston, or from Detroit or Buffalo, and it is valued at the custom house in Canada for penalty duty purposes at \$35, the duty is \$12.25. Adding \$1.22½ to cover wholesaler's profit on \$12.25, and \$4.04¼ to cover retailer's profit on duty and on wholesaler's profit on duty, the amount of the penalty duty of 35 per cent. to the final purchaser is approximately \$17.51.

In the old days, when the company store at a mine or at a factory flourished exceedingly, and there were no laws to prohibit it, or to restrain the rapacity then characteristic of the company store system, an employee at the mine or factory who did not do his trading at the company store soon lost his job.

It is not possible, as was remarked in a preceding chapter, for government or parliament at Ottawa, to deprive a man of his job because he will not do all his trading with the privileged class at privileged class prices.

But for forty years—1879-1919—parliament, at the instance of the governments of the day—at one time a conservative government, at another time a liberal government¹—has been careful that there were enactments providing that men or women who would not do their trading with the privileged class should be mulcted in increasingly heavy penalty duties.

Either tolls to the privileged class, or penalty duties, which flow into the treasury at Ottawa, must be paid by every Canadian who must provide himself with a home, or a lodging; provide himself with furniture for his home²; and also pro-

¹In this period the conservatives were in power for twenty-four years—1878-1896—and 1911-1917. The liberals were in power for fifteen years—1896-1911. From 1917 to 1919, there was a coalition government—a government that was organized to carry the Dominion through the war. It was, from its formation at the end of 1917, to June, 1919, manifestly the most protectionist government that was ever in power at Ottawa, or since 1846 at any political capital in any country that is of the British empire.

²"It is true that the government will advance the returned soldier money at the rate of five per cent. to settle on land. But the moment he settles upon the prairies, the returned soldier is penalized 32½ per cent, for the privilege of building his house with lumber. He is soaked 30 per cent. if he decides to build his house with brick; he is the victim of a levy of 67 per cent. for nails; he is mulcted 42½ per cent. on sashes and doors; and he is charged 37½ per cent. on screen doors."—Mr. R. Lemieux, house of commons, June 11, 1919.

"To-day we are spending millions of dollars in helping the returned men to settle on the land. The list I am about to read is compiled from that standpoint, and goes to show just what the returned man has to buy in establishing his home, and the import duties that he has to pay on the different commodities he requires. These figures were compiled before the budget was introduced and will therefore be reduced to that extent. First of all he must have a house; and the government helps him by charging him 82½ per cent. on his lumber, 42½ per cent. on window glass; 82½ per cent. on sashes and doors. When his wife goes to furnish her bedroom she is taxed 87½ per cent. on dresser; 37½ per cent. on chairs, 27½ per cent. on looking glass, 87½ per cent. on bed, 42½ per cent. on counterpanes, 42½ per cent. on blankets, 42½ per cent. on pillow cases, 42½ per cent. on sheets, 42½ per cent. on comb and brush, 87½ per cent. on mattress, and 40 per cent. on lamps. * * * This goes to show in part what the returned man to-day, working on the capital borrowed from this government on which he has to pay interest, is charged in making his start on the land."—J. F. Johnston, Last Mountain, house of commons, June 13, 1919.

vide himself with food and clothing; with bituminous coal; and from time to time renew his household equipment.

Some Canadians pay more, some pay less in respect to toll No. I. and toll No. II. Much depends on the scale and style of living. But everybody is chargeable with these two tolls; and when tolls, as distinct from penalty duties, are paid, they accrue to the privileged class created, so far as the Dominion of Canada is concerned, by the first national policy tariff of 1879, and maintained and nourished during these forty years by the subsequent tariff acts of 1884, 1894, 1897, 1907, and 1915.³

All that accrues from toll No. I. and toll No. II, as well as from toll No. III—that on farm equipment—accrues to a privileged class that collects, by means of tariff acts, more per head of the population than is collected by the privileged class in any other part of the British empire, by means of legislation enacted, from time to time in its favor.

³It is the tariff act of 1907—a triumph for the privileged class—with amendments made in 1909, 1910, 1913, and 1914,—that has been in operation since the tariff of the war period was scaled down in June, 1919.

As soon as a man marries and establishes a home—as soon, in fact, as a youth becomes self-sustaining—toll No. I.—and toll No. II. become chargeable on his earnings. They become chargeable much in the same way that toll No. III, as well as tolls No. I. and No. II, are all charges on the money that a farmer or a grain grower receives for his crop.

Payments of toll No. I., and toll No. II., must be made as long as a man lives. These tolls, like the interest on a mortgage, are a burden; and it is not possible to redeem them, as it is to redeem a mortgage, and end the payment of interest charges.

As at birth, so at death, toll No. II. must be paid to the statutory privileged class.¹ It is a charge at birth that must be borne by parents. At death it is a charge on any estate a man may have left. In many cases it is a charge on insurance money, accruing to his widow or to his children.

¹The duty on funeral caskets, and metal parts of caskets, is 25 per cent. On cemetery monuments of slate or stone, the penalty duty is 30 per cent. On monuments of marble or granite, the duty is higher. On importations from the United States it is 35 per cent. On monuments from the United Kingdom the rate in the preferential tariff of 1907 is 30 per cent., as compared with a rate of 28 1-3 per cent., under the British preferential tariff of 1898-1907.

"No circumlocation was used by many of the tariff beneficiaries who assailed the British preference before the tariff commission of 1905-6. They spoke of London and Liverpool as 'foreign' and of Englishmen who came to Canada in search of orders as 'foreigners'. At St. Croix, New Brunswick, owners of granite quarries urged a curtailment of the British preferences on tombstones, to protect them from the pauper labor of Aberdeen. Several of them sat at a table with me; and I passed to my neighbour a cablegram that I was putting on the wire for Glasgow, summarizing the petition for an increased duty on granite from Aberdeen. 'They'll think we are darned mean' was his comment, as he returned it to me; from which it may be inferred that tariff beneficiaries themselves are conscious at times that there is no good moral defence for leaning on the politicians for private gain."—Porritt, "Sixty Years of Protection", 445.

The acts of parliament on which the power of the privileged class to levy and exact toll is based, it will now have been realized, are so framed that the privileged class levies at least two of its tolls on all Canadians. Moreover, as has been demonstrated, it catches them both coming and going.

The original national policy tariff was carefully framed to this end; and at the thirteen or fourteen revisions or partial revisions in the years from 1879 to 1919, each was so managed as to make it increasingly difficult for Canadians to escape or evade the payment of toll to the protected manufacturers.

CHAPTER XXII.

TOLL NO. III.—PENALTY DUTIES AND FARM IMPLEMENTS— THE GRAIN GROWER'S AND FARMER'S BURDEN

In addition to toll No. I and toll No. II. farmers and grain growers pay either another set of penalty duties, or they pay a third toll. Either penalty duties, or toll, are paid on their purchases of mechanical equipment for their farms.

These penalty duties, or their equivalent in tolls to the statutory privileged class, are in only a few cases, such as those of carpenters, bricklayers, and masons, paid by wage and salary earners.

With grain growers these penalty duties or tolls constitute an overhead charge on their enterprises. In industrial and business undertakings overhead charges are invariably passed on to consumers. If they were not so passed on, the undertakings must soon become bankrupt.

In ordinary times, by no possibility can grain growers pass on to consumers the overhead charge arising from the fact that either penalty duties or toll to the privileged class must be paid on purchases of equipment.¹

¹"The manufacturing classes insist on being protected; and the result is that the farming population of Denmark have to pay higher prices for most of the things they have to buy—machines, tools, furniture, cutlery and so forth. The same thing happens in all countries where agricultural production is so abundant as to make imports unnecessary—in the United States, in Canada, and in Australia. A tariff must always be paid by some class which gets no benefit from it; and in the past, American farmers, earning only labourer's wages, have had to pay artificially high prices for their clothes, their crockery, their cutlery, and their implements."—Robertson "Free Trade", 80.

In discussions of penalty duties, it is often overlooked, even in discussions in the house of commons, that, if a grain grower, or a farmer, does not pay penalty duties on his equipment, he must pay toll No. III. on it to the companies in Canada that are engaged in the manufacture of farm implements.

No longer ago than the session of 1919, Fielding, in a speech in the house of commons, overlooked the important fact that penalty duties, or toll, must be paid on practically every item in the equipment of a grain grower that is necessary to the cultivation and harvesting of a crop.

"A return was brought down a few days ago", said the minister of finance, of the liberal administration of 1896-1911,¹ "showing that the total duty paid upon agricultural implements, during the fiscal year 1918, was \$4,617,000, of which the country lying west of the great lakes paid \$2,713,000; and that upon these implements the war tax was \$1,500,000, of which the west paid \$949,000."

"If", continued Fielding, "you divide that among the farms in the west, which, according to the latest statistics, number 218,000, you will find that the average duty paid by the farmers of the west upon implements, regardless of the size of their farms, which, according to the statistics available last year, averaged a little over 355 acres, was less than \$25 per year".

"Comparing that with the amount they would have to pay under a land tax", added Fielding, "I am sure that the farmers of the west would be satisfied with the taxes as they are".

Grain growers are manifestly not satisfied with their position under the fiscal system established in 1879. Canada has been aware of that fact at least since 1905, when Fielding and

¹June 18, 1919.

his colleagues of the tariff commission were in the grain growing provinces.

Fielding, moreover, showed no adequate conception of the fiscal conditions which grain growers have long been compelled to face; for in his statement in the house of commons of June 18, 1919—a statement made apparently to show that national policy tariffs impose no undue or unfair fiscal burdens on the 218,000 farmers or grain growers in the country west of the great lakes—one fact of importance, as has been said, was ignored.

Grain growers and farmers in the west paid into the Dominion treasury in 1918, in respect of their purchases of implements from the United States, over three and a half million dollars. But farmers and grain growers in this division of the country also paid toll equivalent to the duties in the tariffs of 1907 and 1915 on the implements bought from manufacturers in Canada.

Customs house statistics show what amount the west paid on implements imported from the United States. Only the manufacturers know the aggregate amount of toll they levied and collected from farmers and grain growers in the west in 1918 by reason of the fact that high penalty duties were charged on similar importations from the United States.

Grain growers, as has already been emphasized, cannot pass on to consumers either the penalty duty, or the manufacturers' statutory toll, on their outlays on equipment. In the case of farmers also, as distinct from grain growers, only a comparatively small number of them are so placed as regards command of markets that they can pass on penalty duties, or toll No. III., to the ultimate consumers of their products.

Physicians and surgeons, and also dentists, pay penalty duties, or toll No. III. on part of the equipment they need in

their professional work. Toll No. III. is manifestly an overhead charge with these professional men. But usually it is possible for physicians, surgeons, and dentists, easily to pass on all overhead charges to the people to whom they have rendered their services.

Similarly, when trade is good, a bricklayer, or a carpenter, who is supported by a strong trade union, can usually recoup himself in wages for any penalty duty, or toll, that he may have paid on the purchase of the comparatively few tools he must possess in order to work at his craft.

Grain growers, in marketing their crops, derive no advantage whatever from national policy tariffs. They must sell in a market which is open to every country in which grain is produced.¹

Toll No. III cannot be taken into consideration when grain growers are selling their crops, because it is not possible for a grain grower to determine the price at which he will sell. To make a sale, he must accept the price that is offering in the market.

A grain grower can, if he is financially able, hold his crop for a time. But, sooner or later, it must go at the ruling price on the day of sale, and by no artifice can he increase the price.²

The company store principle is applicable in a large degree to a grain grower's purchases. But a grain grower is one of

¹"Mr. Fielding's way of educating the farmers is to tell them that they are in many ways better protected than the steel men. There could not be a more misleading statement. Ninety per cent. of our agricultural product is unprotectable, because its price is fixed outside the country, indirectly, if not directly."—*Farmers' Sun*, Toronto, May 1, 1907.

²"A farmer's grain is sold exactly as he instructs, and on the day of sale, he is notified what price was realized."—"Farmers in Business for Ten Successful Years, 1906-1916"; the Story of the Grain Growers' Grain Company, Limited", 9.

the few producers in Canada, who, in selling their products, positively and manifestly derive no advantage from the fact that the company store principle is embodied in the fiscal system of the Dominion.

Grain growers must do their buying, either in accordance with the company store principle, or pay penalty duties on their purchases of imported goods. But conditions are such, and always have been such since England adopted free trade, and made an end to preferences on grain from the Canadas, that a grain grower must sell his product in an open market.

Toll No. III, or penalty duties on goods coming within the category to which toll No. III is applicable, is consequently a charge which the grain grower must himself carry. In proportion to the return which a grain grower receives for the labor and cost of producing a crop, and in regard also to the value of a grain grower to the Dominion, toll No. III is obviously a heavy burden. It is notoriously an anti-social and a grossly unjust burden.

It is, moreover, a burden arising from the embodiment of the company store principle in the fiscal system of Canada that may be regarded as peculiar to farmers and grain growers.

There are, as has been recalled, men in other pursuits than farming and grain growing—as, for example, physicians, surgeons, and dentists—who, in a greater or lesser degree, pay toll No. III, or pay the penalty duties. But farmers and grain growers are about the only men in business on whom toll No. III is levied, who cannot relieve themselves of the burden of it by passing it on.

A grain grower must be in possession of adequate equipment before he can even attempt to earn his livelihood; and on nearly every item of this equipment he must, as has been

demonstrated, either pay toll to the protected manufacturers, or pay penalty duties.

These duties, it will be remembered, do find their way into the treasury at Ottawa. They go towards defraying the expenses of the government of the Dominion.

It cannot, however, be too often reiterated that, like all the penalty duties in the tariff, duties on agricultural implements are fixed, not primarily with a view to raising revenue in accordance with any equitable plan, but with a view to increasing the demand for goods and wares that are produced and sold by the statutory privileged class.

Many manufacturers are permitted to import partly finished materials duty free. Other manufacturers, as has been told in preceding chapters, are allowed rebates of ninety-nine per cent. of the duties they pay on partly-finished materials.

In cases in which there is neither free importation of partly finished materials, nor a rebate of ninety-nine per cent. of the duties paid on these materials, the duties charged on materials used in manufacture, seldom, if ever, exceed ten per cent. ad valorem in the British preferential list, and fifteen per cent. in the general list. These are revenue duties as distinct from penalty duties.

Penalty duties, it will be realized, are aimed solely at ultimate consumers. They are aimed at consumers—that is at all the eight million people of the Dominion—in order to increase the business of the privileged class. By reason of these duties, most of the privileged class, through trusts and combines, or agreements or understandings for marketing their wares, are enabled to do business on their own terms.

From the time the organized grain growers of the prairie provinces began seriously and continuously to assail the tariff

of 1907,¹ there was never any lack of detailed statements as to the weight of the burden that penalty duties, or toll No. III, threw upon grain growers and farmers.²

For present purposes, however, I am availing myself of a statement that was submitted to the house of commons on June 17, 1919, by E. W. Nesbitt, liberal member for North Oxford, Ontario. I chose this statement for three reasons.

It was made during the long and enlightening debate on the finance bill of 1919—the bill in which the coalition govern-

¹This stage of the movement was reached in the summer of 1910, when Laurier made his tour of the provinces west of the great lakes. to the weight of the burden that penalty duties, or toll No. III,

²In preparing "The Revolt in Canada against the New Feudalism", I availed myself of a statement of implements necessary to a quarter section grain growing undertaking, and the duties payable on these implements, compiled by *The Grain Growers' Guide*. It was published in *The Guide*, on October 5, 1910.

Another statement was published in *The Guide* on May 19, 1919, showing the cost of a grain grower's necessary equipment in 1914 and in 1919. In 1914, the cost was \$1,050.40; in 1919, it was \$1,508.55. In 1914 agricultural implements imported from the United States paid the duties of the Fielding tariff of 1907. From February, 1915, to June, 1919, the duties were seven-and-a-half per cent. higher than they were in 1914. In June, 1919, the war tax of seven-and-a-half per cent. was repealed. At this time also there were some small reductions in the duties on farm equipments—reductions from the rates imposed by the tariff act of 1907—the last general tariff act of the liberal regime of 1896-1911.

In the course of the debate in the house of commons on the finance bill of 1919, J. F. Johnston, Last Mountain, submitted a list of farm implements showing cost at factory; value for customs duty; duty payable on each implement; freight to Winnipeg; profit on duty; and the amount added to cost to grain grower by reason of the duty.—"House of commons debates". June 13, 1919.

Another exposition of the burden thrown on grain growers by penalty duties on agricultural implements was published in *The Grain Growers' Guide* of July 2, 1919. It was compiled by R. D. Colquhett, and gave the cost figures of the actual equipment in use on ten farms in Manitoba, on which mixed farming was carried on.

ment's amendments to the tariff acts of 1907 and 1915 were embodied—and it is of importance to note that it was not challenged, as regards its accuracy, by any subsequent speaker on either the government or opposition side of the house.

The Nesbitt statement sets out the duties on farm implements levied by the existing tariff act—the act by which there was repealed most of the war-time duties of 1915-1919, and by which duties on some agricultural implements were made slightly lower than they were in the tariff act that was operative from 1907 to 1915.

Accompanying the table of implements, valuations for import or penalty duties, and the amounts of duty payable on the valuations,¹ there was a statement by the member for North Oxford of the total amount of duty on these implements under the tariff as it stood from 1907 to February, 1915, when the war-time extra duty of seven-and-a-half per cent. on imports from the United States was enacted, and went into effect.

A third and practical reason for choosing the table prepared by Nesbitt is that it is based on the actual requirements of a grain grower, whose undertaking does not exceed in size a quarter section, or 160 acres.

Penalty duties, or toll No. III, throw a heavy burden on all grain growers in the west, and also on most farmers in the provinces east of the great lakes. But the protectionist tariff, with its penalty duties or tolls, obviously and notoriously throws the heaviest burden on homesteaders²—on the men of

¹Nesbitt explained to the house that for valuation for customs duties, he had taken the wholesale prices of the implements.

²"Many homesteaders are exclusively grain growers. Grain is the only product they have to market".—"The Harvest Outlook", *Globe*, Toronto, June 21, 1916.

small capital, who are earning their livelihood on quarter section undertakings.¹

The table prepared by Nesbitt is as follows:—

Article	Value	Duty
Binder	\$ 200.00	\$ 25.00
Mower	77.00	9.62
Horse-rake	45.00	6.75
Disc drill	113.00	16.95
Corn binder	200.00	25.00
Manure spreader	180.00	27.00
Roller	65.00	13.00
Corn cultivator	87.00	13.05
Disc harrow	44.00	6.60
Cultivator, spring tooth	64.00	9.60
Seuffer	12.00	1.80
Lumber wagon	103.00	20.60
Walking plow	17.00	2.55
Gang plow	74.00	11.10
Iron harrow	22.00	3.30
Two double harness	120.00	36.00
One single harness	50.00	15.00
Tools	50.00	15.00
Buggy	75.00	22.50
Total	\$1,598.00	\$280.42 ²

¹For a story of the work and self-denial necessary to success in the case of a homesteader with little capital at outset, see "The Revolt in Canada Against The New Feudalism", 157-159.

²The list prepared by the *Grain Growers' Guide*, and published on May 19, 1919—the list showing requirements on a quarter section grain growing undertaking, and also quoting prices to grain growers in 1914, and in May 1919, was as follows:—

Implement	1914 Prices	Present Prices
Binder	\$ 165.00	\$ 260.00
Mower	60.00	82.65
Rake	36.00	54.45
Gang Plow	93.25	130.00
Sulky	50.00	30.00
Walking Plow	18.50	27.50
Set Lever Harrows	34.40	50.60
Set Wooden Drag Harrows	24.75	30.00
Cart	28.50	40.00
Seed Drill	187.00	206.85
Float (home-made)	6.00	10.00
Wagon	95.00	150.00
Set Sleighs	41.00	47.00
Jumper	29.50	30.00
Buggy	110.00	138.00
Tools	5.00	10.00
Fanning Mill (82-inch)	35.50	45.00
Cultivator	72.00	100.00
Hay Rack	9.00	16.50
Total	\$1,050.40	\$1,508.55

In a note appended to the list, it was pointed out by the *Grain Growers' Guide* that it must not be taken as a complete or inclusive list. It does not include harness for horses, an automobile, a tractor, a grain tank, a grain pickler, an engine, or a pump. "As for a threshing outfit," continued the note in the *Guide*, "the farmer, whether he hires its service, owns it in part, or is full owner of it, does not escape his share of the burden of tariff taxation laid upon it by our national fiscal system."—*Grain Growers' Guide*, May 14, 1919.

Under the Fielding tariff of 1907-1915, a grain grower, when he purchased his equipment, paid either in penalty duties on it, or as toll No. III, to the privileged class—and to a division of the privileged class that by law is permitted to import nearly all its partly-finished material duty free³—an aggregate sum of \$309.62.⁴

³The drawback system was continued during the operation of the tariff of February, 1915,—June, 1919.

In the fiscal year ending March 31, 1919, seven manufacturing companies received in the aggregate \$892,022.94 in payments as drawbacks.—*Free Press*, Forest, Ontario, July 17, 1919.

⁴Cf.—Nesbitt, house of commons, June 17, 1919.

Under the tariff act, as it was amended in June, 1919, the total payment in duties, or in toll, according to Nesbitt's computation, was \$280.42. It is estimated—so Nesbitt told the house of commons—that if a farmer, or a grain grower, takes ordinary care of his tools, the life of a tool on the farm is ten years.

On initial equipment, therefore, to say nothing of subsequent expenditures on new parts, or on additions to equipment, the cost of penalty duties, or of toll No. III, to a grain grower, working an undertaking of 160 acres, is \$28 a year.

Under the old tariff, again according to Nesbitt's computation, the cost was \$30.91.¹

It must be kept in mind, moreover, that a grain grower, in addition to penalty duties, or toll, of \$28 or \$30 a year, levied on the cost of his farm equipment, also pays toll No. I and toll No. II, or penalty duties that are equivalent to these tolls. He makes these payments in common with all his fellow-Canadians who are not in the farming or grain growing business, and who consequently are not mulcted in toll No. III.

With these three tolls in mind, and in view also of the steady upward movement in prices of the last fifteen or seventeen years, and the equally steady and almost general increase in ad valorem duties in the Dominion tariff, in the years from 1879 to 1919, there seems abundant ground for accepting at full value the statement of the Rev. John Macdougall, author of "Rural Life in Canada," that "by the incidence of the protective tariff, declared to be essential to the standing of in-

¹W. F. Cockshutt, agricultural implement manufacturer at Brantford, Ontario, in a speech in that city in the spring of 1919, stated that \$758 represented the investment in implements, on the average farm in the prairie provinces. "This," he added, "meant a little less than \$25 a year for ten years in duties collected."—*Grain Growers' Guide*, May 14, 1919.

dustry, one-tenth of the farmer's income is transferred to city pockets."¹

On the lowest estimate, penalty duties or toll No. III, in decade before the war, cost grain growers on quarter section undertakings not less than thirty dollars a year. Prior to the war, the average price received by grain growers for wheat was not much in excess of seventy cents a bushel.²

Consequently, when a grain grower teamed his wheat to the country elevator, he knew, or he might have known, that the receipts from the sale of at least forty-two bushels of it would be necessary to meet the annual charge for penalty duties, or for toll to the privileged class, on the initial cost of his equipment.

There must, in normal times, be many grain growers whose labor on their homesteads, after allowing for interest on capital embarked, does not bring them more than two dollars a day. At this rate of pay, a grain grower, before the war, had to work fifteen days to pay penalty duties or toll No. III.

The number of days he was compelled to work to pay toll No. I and toll No. II depended as regards toll No. I, on the outlay on building and furnishing his home; and, as regards

¹"Economic injustice is the first of the underlying causes of the problem. By the incidence of the protective tariff, declared to be essential to the standing of industry, one-tenth of the farmer's income is transferred to city pockets."—Statement by Rev. John Macdougall, M.A., (author of "Rural Life in Canada") at social service congress, Ottawa, *Globe*, Toronto, March 11, 1914.

Other estimates put the aggregate cost of tolls Nos. I, II, and III higher than the Macdougall estimate of 1914. "It is well within the limit to say that our protective tariff, directly and indirectly, costs the average farmer \$200, or the interest on \$4,000 a year. For this he receives nothing."—Mr. E. C. Drury, master of the Dominion grange, *Farmers' Sun*, Toronto, September 28, 1910.

²"The average price received by Canadian farmers for wheat in 1918 was 67 cents."—"Saskatchewan Co-operative Elevator Company News", June, 1919.

toll No. II, on his expenditures on food, clothing, boots and shoes, and on renewals or additions to the furniture and equipment of his home.

But taking the average return to a grain grower on a quarter section at two dollars a day, there can have been but few grain growers who were not compelled in the years from 1907 to 1914 to work from three weeks to a month to meet charges or obligations upon them arising from the fact that there were penalty duties, in the interests of the privileged class, in the Dominion tariff.

CHAPTER XXIII.

LABOR AND NATIONAL POLICY TARIFFS.—LABOR UNDER PROTECTION, AS UNDER FREE TRADE, GETS WHAT IT CAN FIGHT FOR, AND WHAT IT CAN HOLD

It is thirty-five years ago since I first came into actual contact with tariff politics in the new world. Half a lifetime has elapsed since I first became an interested observer of tariff politics, and of the operation, incidence, and influence of protectionist tariffs.

My introduction to tariff politics was not sought. It may be said to have been thrust upon me, or rather it was an accident of newspaper world life. In 1884 I made my first visit to the United States. It extended a little over a year; and it was my good fortune to spend the year as a reporter on the staff of the *Globe-Democrat*, of St. Louis, then, as now, the leading republican newspaper of the south-western states.

During the presidential election of 1884—an election in which the tariff was, as usual, an issue—I reported many speeches in support of, or in opposition to, protection.

Protection was an entirely new subject to me in 1884. Before my first visit to the United States, I had been a reporter on a London daily newspaper; and, as such, I had come into contact with every phase of political discussion and political propaganda. But in my five or six years' varied experience of newspaper work in England—1878-1884—I had never re-

ported a speech for, or against, protection; nor had I ever heard a public discussion of protection.

Manufacturers in England in the eighties of last century manifested no desire to lean on the politicians. There were then no politicians who conceived that advantage would accrue to them by permitting the manufacturers to lean upon them; and for nearly forty years, as Mr. Amery has emphasized in his sympathetic study of Chamberlain, and of the fiscal policy Chamberlain advocated from 1903 to his retirement from active political life,¹ the question of protection had had no place in political discussion in England.

The speeches on protection that, as a shorthand-writer, I reported during the presidential election campaign of 1884, had consequently a fresh interest for me. It fell to my lot to report both Blaine and Logan, the presidential candidates of the republican and protectionist party. But the speech that made the most lasting impression on me was one by Senator Vest, of Missouri. Vest was a democrat, and strongly opposed to the trade policy of the republican party.

The part of Vest's speech that impressed itself on me was a division of it in which he examined the position of labor under protection; and examined in detail the claim made by American protectionists of the advantages that accrue to labor from the embodiment of the company store principle in the fiscal system of the republic.

In the United States, as in Canada, it was long a claim with protectionists—usually a claim that was more emphasized by politicians than by members of the statutory privileged

¹"Protection truly seemed, as Disraeli remarked, 'not only dead, but damned.' For two generations the subject was, for the great body of educated Englishmen, a closed question, not seriously worth discussion."—L. S. Amery, M.P. "Mr. Chamberlain and Fiscal Policy," "Life of Joseph Chamberlain," (The Associated Newspapers, Limited), 246.

classes, created in both countries by tariff acts—that the advantages of protection diffuse themselves automatically among all classes of the people.

These advocates of high tariffs claimed, in particular, and claimed with insistence and vehemence, that the advantages of protection in the form of high wages, shorter working days, beneficent working conditions, and equally beneficent social conditions and home environment, always accrued, and again as a matter of course, and in a manifest degree, to all wage earners.

In 1884 I reported many speeches of republican campaign orators in Missouri, Illinois, Indiana, and Texas, in which stress was laid on this claim. In later years—1896-1914—I read many speeches in the *Hansard* of the house of commons at Ottawa, or in files of Canadian newspapers, in which a similar claim was advanced in support of national policy tariffs.

Senator Vest, in addressing himself to this claim of American protectionists, made answer that wages in any country—protectionist or free trade—are determined by the number of men and women at the doors of a factory or a mill who must find work or starve.

Much observation, and study of industrial conditions in England, in the United States, in Canada, and in South Africa, long ago convinced me that Vest's statement of the position of labor is abidingly true.

It is manifestly true of protectionist countries like Canada and the United States; for in these countries while ports are blocked against imports—as closely blocked as is practicable by means of penalty duties—they are wide-open to immigrant labor, which necessarily competes with labor already in the

country, and, by its competition, keeps wages down to little more than subsistence level.

Except in industries in which trade unions are well and comprehensively organized, wages are always determined by the number of applicants for work. Employers regard labor much as they do raw material. It is something which they must have; and, alike in free trade¹ and protectionist countries, they buy it at as low a rate as they can. Hence, all the world over, a subsistence wage is usually the lot of labor.

In protectionist countries wages are seldom determined by the amount of tariff protection afforded to industrial undertakings; and the experience of Canada, as regards the iron and steel industry, is that the most lavish bounties, plus high duties in the tariff, do not in the least degree manifest themselves in the wages paid by the companies that are recipients of all this government largess.²

Either in person, or through the Canadian manufacturers' association, not less than two thousand manufacturers appeared before the Dominion tariff commission of 1905-1906 to plead for higher protectionist duties. Most of them, as has

¹"So long as everything is left to free competition, so long as subsistence wages are earned, the laborers have no right to further claim on the profits that are daily earned by the class who enjoy comfortable and secure investments for their capital."—"The New Tories," the Duke of Marlborough, *Nineteenth Century*, November, 1889, 738.

"No wonder workmen had been taught the law of force, for they found they could get nothing without it, no matter how powerful the appeal. It was not until they shook their fists in the face of the employer, or threatened a dislocation of industry that there was anything like a concession to labor. Before the war little or nothing could be gained by the working classes except by pressure or force."—The right honorable J. R. Clynes, labor member for Plattin division of Manchester, at Fallowfield, *Manchester Guardian*, October 1, 1919.

²Labor conditions at Sydney, Nova Scotia—the largest centre of the iron and steel industry in Canada—conditions from 1904 to 1907—are described at pages 129-130 in "The Revolt in Canada Against the New Feudalism."

been told elsewhere in these pages, were conceded more protection.

Prices were promptly advanced to consumers. But the files of Canadian newspapers for 1907 and 1908 will be searched in vain for mention of factories at which wages were voluntarily advanced because of the increases in penalty duties in the Dominion tariff.

If there were any ground for the claim of protectionists that the advantages accruing from nationalizing the company store principle, and thereby making it compulsory on people in a country to buy only goods made within the country, diffuse themselves automatically and generously among all classes, and among the wage-earning class in particular, Canadian newspapers in 1907 and 1908 ought to have been overloaded with reports of increases in wages spontaneously granted by the protected manufacturers.

Had there been any such increases, they would have been proclaimed from Halifax to Victoria. The privileged class has always at its call publicity men, who are experts in their particular line of business. The division of the newspaper press that is subservient to the privileged class, moreover, would have been alert to feature news which supported the claim that widely distributed prosperity comes as a matter of course when consumers generally are compelled, by the action of parliament, to pay more for their goods.

But wages under the tariff of 1907, as under every protectionist tariff enacted at Ottawa since 1879, were, in the absence of demands for increases made by trade unions sufficiently strong to enforce their demands, determined as wages always are determined in protectionist or free trade countries.

The determining factor was the number of men and women seeking work. In other words, the factor determining wages

in 1907 and 1908 was the number of men and women compelled to accept a subsistence wage, available at the time a factory, or other industrial undertaking, was in the market for labor.

The number of men and women available, moreover, it is important to note, must always have been to a greater or lesser degree affected, and affected adversely, from the standpoint of labor, by the great inpouring of immigration from the United Kingdom, and also from the countries of continental Europe, of the period from 1906 to the end of the railway construction boom in the western provinces, and the beginning of the war in 1914.¹

The measure of the statutory power of the privileged class to exact tolls from consumers has seldom, if ever, been a factor in determining wages in the protected industries in Canada. It does increase business at factories, because the higher the penalty duties, the more widely applicable is the principle of the company store on which the protectionist system is so largely modelled.

In the years from 1897 to 1918, 2,375,850 immigrants arrived in Canada. "Immigrants," according to the classification of people arriving in the Dominion in service at the department of immigration and colonization, "are those who have never been in Canada before, and who declare their intention to reside here permanently."—"Immigration; Facts and Figures," (Ottawa, 1918), 10.

Of the total number of immigrants, 1,218,109 were British, 1,260,097 were from the United States; and 897,644 from countries other than the United Kingdom and the United States. "During the above period," reads a paragraph in "Immigration: Facts and Figures, 1918, 18 per cent. British, 27 per cent. American, and 29 per cent. of immigrants from other countries, made entry for homesteads in Western Canada."

The total expenditure on immigration in these years—1879-1918—was \$19,692,085.—"Immigration: Facts and Figures," 28.

"We sent out agents and literature into the highways and byways of continental Europe, begging men to come to Canada and settle on the land."—Fielding, house of commons, March 14, 1918.

But the measure of protection can never be a certain and continuing factor in determining wages as long as a costly immigration propaganda is maintained by the Dominion government; as long as the ports are wide open both for men who are going on the land, and for men and women who must work in factories; and as long as tariff acts, as they always have been, are devoid of sections which guarantee that at least part of the tariff largess bestowed on manufacturers shall reach labor in protected industries in wages that are higher than mere subsistence wages.¹

Canada manifestly must continue its immigration propaganda. It is an agrarian country, in the main dependent upon the products of its farms. Canada's export trade is chiefly maintained by its farmers and its grain growers; and, with millions of acres of good land still available for farming and grain growing, every effort must be made to attract to Canada men who desire to engage in farming and grain growing, and by so doing increase the export trade.

But, while all comers are welcome in Canada, regardless of whether they are to embark in farming, or whether they must at once find work in manufacturing industries, it is absurd to claim that the advantages of high protectionist tariffs accrue, as a matter of course, to all wage earners.

Government statistics show what little ground there is, or ever has been, for the more general claim of protectionists,

The right honorable J. H. Thomas, labor member for Derby, general secretary of the national union of railwaymen, addressing a meeting of railwaymen at Grimsby, yesterday, said: "The workers welcomed the visit to this country of Mr. Hughes, the Australian premier. But it should be clearly understood that if we were to change our fiscal system for the Australian one, it must be accompanied by eight hours, a legal minimum wage, preference for trade unionists by statute, old-age pensions on the colonial basis, and disablement grants for the unfit."
—*Yorkshire Post*, March 27, 1916.

that all classes derive material advantages from protection. They also show what little ground there is for the more particular and specific claim, that the advantages of high tariffs accrue automatically in the form of high wages to labor.

Out of a population of eight millions, only 46,176 men or women, it will be recalled, paid income tax in 1918-1919, although, in the case of unmarried persons, incomes as low as \$1,000 were assessed for the tax, and, in the case of married men, incomes of \$2,000 were chargeable with it.

In 1905, a prosperous year for manufacturing industries—one of the boom years of the decade that preceded the war—the average income of wage-earners in industrial Canada was only \$419 a year.¹

The average wages of men employed on farms in 1914—the average for the whole of the Dominion—was \$323.30, including board, of which the average value was \$14.27 per month.²

In 1917, there was a census of the agricultural implement industry—an industry that was exceedingly prosperous during the war. It is an industry, moreover, that has the advantage of duty free raw and partly finished material, and that for forty years has had a generous measure of protection in the tariff. Its protection was especially generous in the year covered by the census; for in 1917 the war tariff of 1915-1919 was in operation.

On the pay rolls of ninety establishments³ there were 24,895 workpeople. The average annual earnings of 10,051 men and women in a year during which wages were at war-

¹Cf.—"Bulletin of Census Bureau, on Wage Earners in Canada," issued July 19, 1907.

²"Canada Year Book," 1918, 190.

³Of these establishments, 56 were in Ontario; 21 in Quebec; and 10 in the prairie provinces.

time level, was \$838¹—a sum not equivalent as regards its purchasing power to \$550 in the decade before the war.

These average wages of industrial workers in 1905; of farm help in 1914; and of men and women employed in the farm implement industry in 1917, cannot be regarded as net. Tolls No. I and No. II were chargeable on them.² These are charges which do not come against wages in England or in any other free trade country.

Labor in England contributes its full quota to the expenses of the central government, and also in these days to the cost of the war. There is a tax on incomes of £130 a year; and all wage-earners contribute to the national revenue through excise duties on beer and spirits, or through similar duties on tea, coffee, and tobacco.

These are about the only supplies used by wage-earners which are taxed. The earnings of labor, in normal times, are chargeable with no protectionist or penalty duties on imports. Wage-earners in common with other classes, are exploited by trusts and combinations, but they pay no tolls to a statutory privileged class.

This chapter was begun with a personal reminiscence. I will include in it two other reminiscences that seem applicable to a discussion of the position of labor under protectionist systems.

Twenty-five years ago—in 1894, at a time when the McKinley tariff was in operation in the United States—I spent

¹Cf. "Monthly Bulletin of Agricultural Statistics, March, 1919, 65; also The Saskatchewan Co-operative Elevator Company News," June 1919.

²"The wage-earner is among those who lose by the protective system. Its first effect is to increase the cost of all his domestic and personal supplies. He buys goods, and sells labor; and even the articles made by his own hands must be bought at a price enhanced by the tariff."—*Globe*, Toronto, July 4, 1907.

some weeks in the cotton growing states, looking into the development of cotton manufacturing that was then proceeding south of Mason and Dixon's line.

Much of the development was along the rivers in the Carolinas and in Georgia. New mills were being established on the rivers, because water power was available. Many of the mills were being built in places remote from towns or villages.

At Atlanta, I made a call on Ex-governor Bullock, who was then the foremost authority in the south on cotton manufacturing and cotton mill economy. We discussed the establishment of mills at these remote places on the rivers.

"I would not build a mill at any of those places," said Bullock, who was the controlling owner of a large mill at Atlanta. "I want my mill," he added, "in a city. Then, when I ring my bell, at seven o'clock in the morning, I can get all the help I want."

In 1898, at a time when the Dingley tariff was in operation, I made a round of the cotton mill towns of Massachusetts. In a mill at Fall River, I had a conversation with a weaver who had emigrated from Lancashire. He told me that, owing to the heat, he always found it necessary to "lay-off" for three weeks in the summer.

I asked him how he arranged for this holiday. "That," he answered, "is an easy matter. There are always plenty of weavers in the tower (the entrance to the mill) looking for work. I arrange with one of them to take my looms, and he takes what is coming from the looms as his pay."

As long as a cotton manufacturer can ring his factory bell, and obtain all the help he requires, as long as there are men and women in the towers of cotton mills waiting for

jobs, the enactment of penalty duties in a fiscal code is of itself no guarantee of anything more than subsistence wage for labor.

In Canada, as in the United States, wages are highest in the industries which are not, and cannot be, protected by the tariff.

Building masons, bricklayers, plumbers, and carpenters, and also compositors, linotype operators, stereotypers, and printers, in newspaper offices, can point to no schedule in the Dominion tariff that in the least degree protects their industries.

Despite this fact, wages of these craftsmen are always higher than wages in protected industries.

In normal times, there is no tariff protection for any industry in the United Kingdom. But in England, as in Canada and in the United States, the highest paid wage-earners, especially in the large cities, are the men in the building and printing industries.

In all three countries—England, Canada, and the United States—the building and the printing industries are unionized. The history of wages in these countries make manifest the fact that strong trade unions, with substantial reserve funds at their back, can effect more for their members, in the way of securing for them wages that are above subsistence level, than all the protectionist tariffs enacted in Canada since 1879 have done for unorganized workers in the industries that these tariffs have protected increasingly from outside competition.

In protectionist countries, as in free trade countries, like England, labor, in normal times, as regards wages that are

above subsistence level, obtains only what it can fight for, and what it can hold.¹

Labor, it is obvious, can gain little in this respect, and hold little of what it gains, in England, in Canada or in the United States, unless it is backed by strong trade unions. And it will not be denied that unions, fighting for foothold, and for recognition, have, so far, had much more opposition, and more obstacles to overcome, in Canada and the United States, than has been the case in free trade England.²

¹"Radical manufacturers * * * have no more thought of the condition of the wage-earners who produce this profit than a southern planter had for the religious welfare of his gang of slaves."—"The New Tories," Duke of Marlborough, *Nineteenth Century*, November, 1889, 738.

"We have to admit that very large numbers of our population have worked hard, and for long hours, and yet lived under conditions which were a disgrace to a great nation—this, while we were annually investing £200,000,000 of so-called 'surplus profits' abroad."—Monthly circular, Barclay's Bank, London, September, 1919.

²"We do not negotiate with trade unions."—Mr. E. H. Gary, chairman of the United States Steel Corporation, at Pittsburg, September 17, 1919.

"The government is not fighting trade unionism. Unionism is a recognized factor in the industrial life of the country."—Lloyd George, October 2, 1919.

"You cannot kill trade unionism in this country."—*Truth*, London, October 1, 1919.

CHAPTER XXIV.

DEMOCRATIC CONTROL OF FISCAL POLICY.

After forty years of protection in Canada, in view of wages, and immigration, and income tax statistics, which are now available, there can be no pretence that the company store principle is embodied in the fiscal system in the interest of wage or salary-earners.

Manifestly also the company store principle was not made applicable by act of parliament to all the people of Canada in the interest of farmers and grain growers. It was thrust into the fiscal system of the Dominion at the instigation of a small class; and it has stayed in the fiscal system for forty years in the interest of what since 1879 has notoriously become a privileged class.

Judging from the history of the enactment and operation of national policy tariffs, and also from the now long-maintained and unchanging attitude of both the liberal and conservative parties towards protection, and towards the privileged class, the company store principle will continue to be embodied in the fiscal system as long as the existing party system survives.

It will continue until democracy in Canada, acting independently of the old political parties, asserts itself,¹ and in-

¹"The existing system of tariff protection in Canada is one for which both the political parties are about equally responsible. What Canada needs is men in parliament who are independent of both parties and true to right principles."—*Grain Growers' Guide*, September 17, 1919.

sists on democratic, as opposed to privileged class, control of fiscal policy.

Then, and not until then, can an end be made to secrecy, and all closed door procedure, in the preliminaries to the framing or amendment of tariff acts;¹ and to party caucuses on tariff proposals of the government—such as the caucus of the liberal party on the tariff bill of 1897—from which the representatives of the press are excluded.

Not until there is democratic control of fiscal policy, moreover, will there be an end to orders-in-council, bestowing government largess, at the expense of all the people of Canada. on this or that aggressive division of the privileged class. The privileged class owes much to orders-in-council—to orders of which, often times, only the minister of finance or the minister of customs, and the men who are to derive great and continuing material advantage from these orders, know the meaning and the value.

From the point of view of democracy Canada has the freest and best political constitution of all the constitutions of

¹For an example of the way in which duties are increased under the closed door procedure that at times characterizes the preliminaries to the enactment of these increases, the reader is referred to Mr. J. A. Stevenson's history of the transference in 1919 of tin plates from the free to the dutiable list of the tariff. It was published in the *Grain Growers' Guide*, of September 10, 1919. "No one noticed it particularly," wrote Stevenson, in detailing the progress of the amendment through the house of commons, "as the question of the reason for the alteration in the tariff was not raised by the opposition. Sir Thomas White (minister of finance) volunteered no explanation. But there was an excellent explanation, which clears up the situation. It was announced immediately afterwards that Baldwins Limited, of Swansea, Wales, had bought from the imperial munitions board the large plant which the latter had erected for the British government in Toronto, on harbor commission property. * * * It is understood that Baldwins Limited declined to begin the manufacture of tin plate in Canada until they were assured of adequate protection against outside competition. And apparently this was a very easy matter to arrange."

countries of the English-speaking world. Men and women in Canada of democratic sympathies, and of political and social ideals, cannot too often be reminded of this important fact.

Under the Canada constitution, democracy can express itself as it wills. Under this constitution it can recover control of fiscal policy at any general election after it has made up its mind that control of right belongs to it, and that it is of moral as well as of material advantage to all the people of Canada—that it is for the well-being of the Dominion as a whole—that control of fiscal and trade policy should no longer be held and exercised by a statutory privileged class, and, in the main, exercised in the material interest of this highly privileged class.

THE END.

