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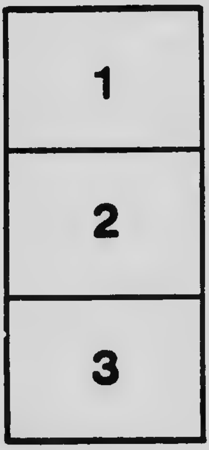

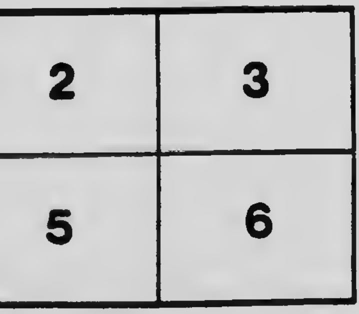

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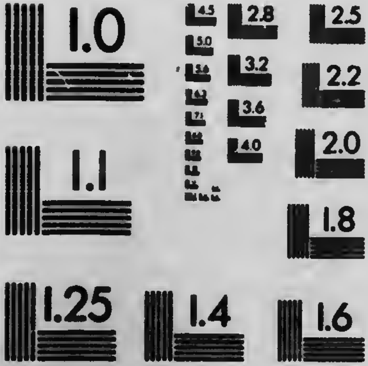

One Dollar
in Revenue
Four Dollars
in Cost

By

W. L. SMITH

The Inauguration of a Policy of Protection in Canada and the Adoption of McKinley Tariff in United States marked the Beginning of Rural Depopulation in Ontario. A Relief from Tariff Burdens Essential to Agricultural Progress.

That Ontario agriculture has been more prosperous in the last twenty years than it was during the closing decade of the last century is freely acknowledged. That it has been more prosperous in the last six years than in the previous fourteen is admitted with equal freedom. It is, indeed, well that this is so. If the conditions of the 'nineties had continued the agricultural industry would have practically perished ere this. In the last decade of the past century Ontario farmers did not live; they barely existed. From the time when the McKinley tariff went into operation until Ontario farming operations became in a measure adjusted to the new condition agriculture in this Province passed through the most trying stage endured since pioneer days.

The change from the bitter adversity of that period to the comparative prosperity of the present is in very large measure due to the change in tariff policy on the part of the United States, a change which has made the American market once more free, or at least easy of access, to the chief agricultural products of this country. How greatly this change has benefitted the Canadian farmer can be illustrated by a few items in the trade returns. In 1913 Canada exported 28,000 cattle, valued at a little over $1,000,000, to the United States; in the fiscal year of 1919 over 300,000 of our cattle went to the same market, and the value was upwards of $30,000,000. In the last fiscal year exports of animals of all kinds aggregated $50,000,000, nearly all going to the United States. Between 1911 and 1918 our total exports to the United States were quadrupled. Bearing these facts in mind we would repeat and emphasize the warning of

George Lane, the Calgary rancher, against any action by this country that may jeopardize the Canadian farmers' market across the line.

HARD WORK AND LONG HOURS PRICE OF AGRICULTURAL "PROSPERITY"

But while the position of Ontario farmers, and of Canadian farmers generally, is much better than it was twenty years ago, it is yet far from what it should be. Compared with other callings farming is not prosperous. Farmers do not receive rewards commensurate with their toil. If farmers spent on recreation and luxuries in comparison with those in other callings they could not make ends meet. In order to maintain a condition of solvency they are compelled to work hard during long hours and to practice the most rigid economy, even denying themselves many of the comforts of life which with other classes are considered prime necessities.

WHAT LEITCH SURVEY SHOWS

That farmers do not receive a reward proportionate to their toil is proved, among other ways, by what is known as the "Leitch Survey." Prof. Leitch is an officer of the Ontarhio Agricultural College. Under directions of the former Government of this Province, and aided by a corps of expert assistants, he carried out an investigation in a number of counties for the purpose of determining the cost of production on representative Ontario farms, and what the owners of these farms received in return for such production. This survey covered sections in which beef production is the chief line; a section in which dairying has first place, and a general farming section.

In a part of Middlesex, in which beef cattle form the chief source of farm income, the survey, which covered three hundred and eighty-five farms, disclosed the fact that cattle there will put on a better finish on grass than in any other part of Ontario. **Still, even in that favored section, after allowing five per cent. for interest on investment and for necessary outlays, the average income of farmers on farms of 91 to 100 acres, in return for the labor and managing abilities of these farmers, was only $618.** The average income, on the same basis, on farms of over 225 acres was $1,734. Figures are given in detail for 39 farms, and it is shown that, after allowing $600 per year as wages for the farm owner, the average cost of producing beef thereon was $13.40 per hundredweight, while the average selling price was $11.72. On this basis only thirteen out of thirty-nine farmers had a margin of profit on their beef production. In other cases the loss ranged from three cents per hundred pounds to $12.47, and totalled $519.92 per farm. Thus, instead of the average farmer out of the thirty-nine having a wage of $600 per year he had only $80.08. The loss of $12.47 per cent., on the basis of calculation adopted, in the case of one farmer was doubtless due to exceptional causes such as the loss of one or more animals. But these "exceptional causes" are liable to occur at any time. They are part of the risks of the game.

CROPS 20% ABOVE AVERAGE, AND STILL RETURNS POOR.

In Dufferin a survey was made of 329 farms in a mixed farming district. On 46 farms, running from 91 to 110 acres, the average income for the owners, for their own work and managing ability, was $802 per year. On ten farms, of over 225 acres each, the average was $1,678. On a group of farms, of varying sizes, where the crops were 20% above the average, the average income of the owners for their own labor and ability was $1,331.

The County of Dundas has advantages from a dairying standpoint comparable to those in beef production enjoyed by Middlesex. It has a long pasture season, the soil is productive, and Montreal and American markets are within easy access. Still on 290 farms, of varying size, covered by the Leitch survey in that county in 1918, the average income for the farmer's own labor and managing ability was less than $900 ($882 to be exact). On 68 farms of 91 to 110 acres the average was $968. Allowing 7% interest on invested capital and $600 per year for the farmer's own wages, it was found that the average cost of producing milk on 157 farms was $2.68 per 100 pounds, while the average selling price on the farm was $2.33, a margin of 35c; and this in an industry where the day runs at least from 5 a.m. to 7 p.m. Moreover, on these farms the volume of milk sold ran, generally, from 4,000 to 5,300 pounds per cow—a good deal above the average for the Province.

ON THE BEST FARMS.

The hundred-acre holding is the average unit in Ontario agriculture. The Leitch survey shows that in the

ERRATA.

On page 5, tenth line from bottom should read "on the farm was $2.33, a **loss** of" instead of "on the farm was $2.33, a **margin** of."

Middlesex district on the ten 100-acre farms giving the best results in income to the owner the average was but $1,478; in Dufferin the six best averaged $1,770; in Dundas the ten best $2,432. These incomes, not equal at most to those received by the operator of a yard engine on our railways, where hours are short, were the returns obtained by men working long hours, with an invested capital running from ten to twenty thousand dollars, and who incur all the risks of the seasons in addition to the other risks incidental to any business.

These, be it remembered, were the returns from the most prosperous hundred-acre holdings in the counties named. The average labor incomes of farm owners were, as already stated, $618 in Middlesex, $802 in Dufferin, and $968 in Dundas, in no case equalling the labor income of the most poorly paid unskilled laborer.

INCOME TAX RETURNS TELL SAME STORY

We do not have to depend on the Leitch survey alone for our contention that Ontario agriculture is not prospering as it should. Income tax returns fyled by farmers with the Dominion Government tell the same story.

The names of the farmers from whom abstracts of such returns have been obtained are not given here, numbers being used instead, but the names are available if desired.

No. 1 farms part of two lots in the township of Ernestown in Lennox. His capital investment is $23,350. The owner and two lads of eighteen are continuously employed on the farm, and two other boys work during the holidays. Still the **total** income from the farm last year was only $3,637.70, or $1,200 each for the three continuously employed, leaving nothing for the other two working in summer holidays or for interest on investment. The total cost of running the farm, outside of allowance for wages (there was no outside hired help in this case) was $1,109.87. That leaves the net income, aside from interest on capital, $2,527.83. Allow interest at 6% on capital, $1,401, and the **net income is reduced to $1,126.83, or $375 each merely for the three continuously employed in a business with a capital investment of over $23,000.**

No. 2, a Huron county farmer, has a capital investment of $20,000. His total farm income was $2,689, and the cost of operating the farm, including $200 for interest, was 1,068.90, leaving a net return of $1,620.10. Deduct $1,200 for interest on investment, less $200 paid on borrowed capital, and his actual return was only **$620.10**, less than the wages of a hired man.

No. 3, another Lennox county farmer, with an investment of $23,000, had a gross income of $971, while his outlay, including $150 for interest paid, was $1,031.62. In addition to this there was the help of his own family, estimated at $700, which is not included in the above statement.

INVESTMENT $18,000
TOTAL INCOME $1,027.50.

No. 4 is a farmer in the township of Ekfrid, Middlesex county. His gross income from the farm, representing an investment of $18,000, was $2,190.55, and his outlay, including $52.50 interest paid, was $358.70. Since no allowance is made for hired help, there must have been some help within the family. Still, leaving this out of account, the net income from operation was only $1,831.85. Deduct interest on capital, $1,080, and take from this $52.50, interest paid, leaves actual returns of $1,027.50 for the farmer's own labor and skill.

No. 5 is a Lambton county farmer, with an investment of $12,725. His gross income, mainly from cattle and hogs, was $3,505, and the sum paid for operating expenses was $2,234, including $40 for interest. This leaves a balance of $1,271. Deduct interest on capital as before, $723.50, and the net is $547.50. **This would not begin to pay for the services rendered by the farmer's father and mother, which are not taken into account in the foregoing statement.**

No. 6 farms 160 acres in Oxford and Waterloo, and has an investment of $19,000. His gross income was $4,677.97 and operating costs, including $182.87 for interest paid, $3.867.86, leaving a balance of $810.11 to represent returns for his own labor in the year and that of his son in holidays and interest on investment over and above indebtedness.

Out of nearly a score of returns received from farmers not one showed an income of $1,200 after allowing for interest and actual cash outlay. And the incomes received had to cover not only the value of the farmers' own services, but more or less work done by other members of the family.

These are not exceptional cases. They are taken at random. They are from counties among the best, in different parts of the Province. They may be fairly taken as typical of Ontario generally.

FICTITIOUS "LIVING."

It may be said that no allowance is made for rental value of houses occupied, or for that part of the family's living cost obtained from the farm. That is true. But, after all, comparatively little of the table supplies used on the farm is produced on the farm. Practically every farmer buys his bread, or flour, and oatmeal. In the dairy sections, at least, most farmers buy their butter. The number who purchase their small fruits is larger than the number who produce their own. Not a few buy their potatoes. The majority purchase at least some of their meat. The great majority buy the bulk of their fuel. All purchase their tea, sugar and groceries generally just as city people do. Even when full allowance is made for what the farmer produces in food for his own table, and for rental value of his house, the net income of the average farmer, with an investment of ten to twenty thousand dollars, is much less than that of a railroad engineer.

RURAL POPULATION DECREASING

Urban Population Up With a Bound

That Ontario farmers are not prospering as they should, that their economic position is not as favorable as that of people in urban centres is further proved by population statistics. If farmers were prospering as they are entitled to prosper, the number of people on farms would increase. But the fact is that rural population is steadily decreasing, while urban population is increasing by leaps and bounds. People do not run away from prosperity to seek adversity.

The rural population of Ontario is 49,000 less than it was nearly half a century ago. Moreover, while in the early part of that period there was a steady increase in the population of the townships of this Province, there has been a steady decline ever since. In 1872 the rural population numbered 1,047,000. From that figure it increased to 1,148,000 in 1886, and since then it has dropped well below the million mark.

ACTUAL DECREASE NEAR 250,000.

The decrease has been really greater than these figures indicate, because a good deal of what is classed as "township population" to-day is really urban population made up of an overflow from large cities adjoining townships. A case in point is afforded by York township, adjoining Toronto, the population of which has increased from less than 14,000 in 1911 to nearly 38,000 in 1919. **If this overflow from cities into adjoining townships were eliminated it would be found that the decrease of purely rural population since 1886 has been nearer 250,000 than 150,000.**

The decrease that has taken place is not accounted for by the desertion of lands that were found, after the removal of the timber, to be unfit for agricultural purposes. Some of the best counties in the Province have been among the heaviest losers. The following figures show the rural population of the counties named in 1885 and in 1919:

	1885.	1919.	Loss.
Bruce	42,048	26,707	15,341
Huron	49,040	31,671	17,369
Elgin	26,048	20,511	5,537
Simcoe	48,113	38,782	9,331
Durham	21,895	14,203	7,692
Dundas	14;983	12,071	2,912

Not Due to Labor-Saving Machinery.

These decreases are not the result of a reduction in the amount of necessary labor on the farm due to the introduction of labor-saving machinery. The mowing machine has decreased the need of hand labor in harvesting hay, and the self-binder has done the same for the harvesting of wheat. On the other hand the enlargement since 1886 of the area given to corn and hoe crops generally has increased the demand for manual labor. The development of dairying has had a like effect. To efficiently farm the area of cleared land now in this Province would demand a greater number of workers than were found there in the 'seventies of the last century.

POPULATION STILL DECREASING.

With the exception of the tractor very little difference is found in the farm equipment of to-day and that of ten years ago. Yet the process of rural depopulation is still going on. This is shown by the figures giving the population of typical townships in 1910 and 1919:

Township.	County	1910.	1919.	Loss.
Peel	Wellington.	3327	2842	485
Essa	Simcoe.....	2937	2355	582
Brock	Ontario....	3213	2871	342
Clarke	Durham....	3165	2933	232
Hay	Huron......	3071	2714	357
Yarmouth ...	Elgin.......	4618	4354	264

The improvement in labor-saving machinery has been vastly greater in urban industries than it has been in agricIture. For example, one man will do as much in boot and shoemaking to-day as probably forty would in 1872. Still, in the meantime, the urban population of Ontario has increased from 374,000 to 1,623,000, while rural population has decreased.

DECLINE IN FOOD PRODUCTION.

With the decrease in rural population there has been a corresponding decrease in some of our principal food crops, as illustrated by the following table, showing the average acreage of these crops in the decade ending with 1891 and the acreage in the present year:

Crop.	Average Acreage Decade ending 1891.	Acreage 1920.	Loss.
Fall Wheat ...	903,000	762,000	141,000
Spring Wheat..	563,000	267,000	296,000
Barley	743,000	484,000	259,000
Peas	668,000	109,000	559,000

On the other hand there has been a marked increase in the acreage of crops calling for little labor in their production but of comparatively limited food value. The average acreage in the Province in hay in the ten years ending with 1891 was 2,290,000; this year over 3,696,000 acres are in hay in Ontario. In 1910, 3,159,000 acres were in pasture; in 1920 there were 3,432,000 acres in pasture. These figures all spell lessened food production.

The main cause of what has occurred is found in Canadian tariff legislation that has favored the great corporations engaged in manufacturing and discouraged our basic industry, and in American tariff legislation that has hampered our trade in farm products with our nearest market. From '72 to '81, the year when the policy of protection first became effective in this country, rural population steadily increased. From the time when the McKinley tariff on Canadian exports to the United States was added to the burden imposed by our own tariff on imports it has even more steadily decreased, dropping from 1,148,000 in '86 to well below the million mark to-day.

HOW TARIFF HITS FARMERS

And Presses Most Heavily on Those Least Able to Bear

That our own tariff on imports has imposed a very heavy burden upon consumers generally, and more particularly on farmers, can be very easily shown. The tariff bears with exceptional weight on farmers, because, generally speaking, the selling price of their products cannot be enhanced by protection, while a protective tariff does add enormously to the cost of almost every manufactured article they have to buy.

COST OF COLLECTING $158,000,000.

One hundred and fifty-eight million dollars was collected in customs taxation in Canada in the year ending March 31, 1919. That sum went into the Dominion treasury. But the cost to the Canadian consumer was a good deal more than $158,000,000. The importer paid the duties levied in the first instance. Then he added his profit not only on the $526,000,000 worth of dutiable imports brought in, but on the $158,000,000 of duties paid thereon as well. Next the retailer added his profit not only on the total sum represented by the first cost of the imports but on the duties of same and the importer's profit on first cost and duties combined.

In this way the ultimate consumer was forced to pay, in the two profits on the duties, probably $79,000,000 in addition to the $158,000,000 the Dominion Government received in customs revenue. In order that the Dominion Government might receive $158,000,000 the Canadian consumer of dutiable goods was forced to pay $237,000,000, or not much short of half the first cost of the dutiable goods imported.

Nor was this all. **Every article manufactured by a Canadian corporation, and competing with an imported article, was increased in cost by a sum approximating the duty on the competing imported article.** The aggregate value of domestic manufacture in 1915 was, according to the Canadian Year Book, $1,400,000,000. After full allowance for manufacturing lines which are not materially affected by the tariff, such as the building trade, the output of butter and cheese factories and so on, it is fair to put the aggregate output of protected industries at $1,250,000,000 at least. A reasonable calculation will show, when allowance is made for profit on merchandising, that at least $400,000,000 of this sum represents the extra price that purchasers of the output of protected industries were forced to pay by reason of the tariff. In order, therefore, to permit the Dominion Government to secure $158,000,000 in customs revenue the Canadian people were penalized to the extent of $637.000,000. In other words, for every dollar the Dominion Government received in customs revenue Canadian people paid, directly and indirectly, $4. **If this form of taxation is to be maintained, in all justice an excise tax should be levied on the output of Canadian manufacturers protected by the tariff on imports, corresponding to the duty on imported articles competing therewith.**

Take the case of boots and shoes as a concrete example. The general tariff on these is 30%. When a Canadian purchaser buys a $6 pair of American shoes about a third of that price goes into the Dominion treasury or in wholesale and retail profits on the duty paid by the wholesaler. When $6 Canadian shoes are bought about the same proportion represents the extra cost of these due to a protective tariff. That extra price, whatever it may be, should be paid to the Government in an excise tax instead of being allowed to aid in swelling the profits of millionaire boot and shoe manufacturers.

If this policy were applied to all lines the extra price which Canadian purchasers are forced, by reason of the tariff, to pay for cottons manufactured in this country and other Canadian factory products would go, not in the payment of 310% dividends, but into the Dominion treasury, and the problem of how to provide the necessary income to meet our enormous national expenditure would be solved.

WHERE TARIFF HITS HARDEST.

In the customs tariff, as at present framed, taxation is not levied according to ability to bear. Rather is the reverse the case. The burden presses least heavily on the bachelor or the small family. It presses most heavily on the large family, because the larger the family the greater the use of goods such as clothing, boots and shoes, sugar and some articles the price of which are directly affected by the tariff; and large families are most common among the poor, or comparatively poor. Not only does the tariff discriminate against the large family—the greatest asset the State possesses, because the best citizens we have are those born and bred [illegible] but some of the highest rates are levied on the necessities of the poor. The lowest tariff on woollen ready-made clothing is 30%; and a tariff of 30% really means, as already shown, a tax of nearer 50% by the time the consumer is reached. The general rate on hats is 30 to 35% and on boots and shoes and furniture 30% [illegible] is the general rate that applies [illegible] lines.

The general rate of mattresses is 30%, although the wire used in the making comes in free. On lamps and clocks the duty is also 30%. On granite ware, nickel-plated ware, oil cloth, it is 35%.

FARM NECESSITIES HARD HIT.

Articles in which farmers are more especially interested are also subjected to extortionate rates. Babcock testers are taxed 25%; hay presses, 27½%; horse blankets, 35%; hammers and harness, 30%; nails, 35%; copper-coated lightning rods, 30%; and buggies and cars, 35%. As if to rub it in poker chips and threshing machines are taxed at the same rate—17½%. The sporting editors of the daily press can explain what poker chips are.

CHEAPER TO PENSION EMPLOYEES.

Much is made of the allegation that by protecting Canadian manufacturers through the tariff we give employment to Canadian labor. This is true. **But in many cases the Canadian people would be ahead financially by pensioning off every employee in protected industries and allowing imported articles similar to those produced by the protected industries to enter this country duty free.**

Here are a few cases in point. Hat and cap manufacturers, according to the Dominion Bureau of Statistics, employed 4,832 people in 1918 and paid these $3,883,000 in salaries and wages. The selling value of the industry's output, at factory door, was $17,000,000. The duty on hats and caps entering this country is from 20 to 35%, the maximum tariff applying to American-made hats and caps, which form the bulk of our imports in this line. Even putting the rate at 30% it means, assuming that the protected manufacturers took full advantage of the protection afforded, and allowing for the retailers' profit on the higher first cost due to protection that Canadian purchasers of hats and caps paid a good deal more for the output of Canadian hat and cap factories than the hat and cap industry paid in salaries and wages in the calendar year of 1918.

Case of Boots and Shoes.

The boot and shoe manufacturers employed 12,324 people in the same year, paid $8,925,000 in salaries and in wages, and their output was valued at $43,332,000. Here, again, the rate of duties varies, the maximum, which applies to the United States, from which most of our imports of boots and shoes come, being 30%. Even averaging the rate at 25%, and making the same allowance as in former case for wholesaler's and retailer's profit on the excessive price due to protection, it becomes clear that the purchasers of these Canadian-made boots were penalized to an extent greater than the industry paid employees for their services.

Our cotton barons employed 16,000 people in 1918, paid $9,227,000 in salaries and wages, and had an output of $66,399,000. In this case also the scale of protection varies, being generally from 25 to 35%. Put it even at 25%, and it is clear that the output of the cotton industry was also enhanced in price by a sum greatly in excess of the entire wage bill of the industry.

Sugar, no longer a sweet subject of discussion, will be touched on very briefly. This industry employed 2,542 people in 1918 paid $2,626,000 in salaries and wages, a trifle over $1,000 a year on the average. And yet one sugar corporation was enabled, by squeezing its employees in the matter of wages on the one hand and sugar consumers on the other, to pay out over a million dollars in dividends in one year, largely on watered capital. One sugar corporation's dividends was not far short of one-half the entire wage bill of all the sugar refineries in Canada. Is it any wonder that there is unrest among wage-earners and discontent everywhere?

In all these cases the cost of protection, as above stated, is based simply on the enhanced cost due to the tariff of the output of Canadian corporations engaged in manufacturing. If the enhanced cost of imported articles also due to the tariff were figured in as well, the case against the protective policy now in force would be made stronger still.

RURAL POPULATION AND NATIONAL STABILITY.

It has been said that the cost of the war must come from the top six inches of soil in Canada. That top six inches has been hard pressed to meet the revenue needs existing before the war. If the soil is to do more, the cost of working it to the limit must be reduced, and this can be done only by reducing the cost of the implements of production—the things farmers have to buy—and these can be made less costly only by reducing the customs tax upon them.

There is, however, a more important consideration than this. Burdens laid upon agriculture by the tariff have reduced the proportion of rural to urban population to dangerously low limits. A continuance of these burdens will involve a further reduction in rural population. And a healthy balance in this respect is essential to national stability. As the London (Eng.) Observer recently remarked:

"The temperament of a nation mainly grouped in cities tends to become too much of the city type—feverish, fickle, and over-confident—and needs to be steadied by an admixture of the patience and sobriety which are the gifts of Nature to the country worker. We need with and behind the industrial energy the support and, to some extent, the counteraction of a prosperous and self-reliant agricultural community, making for solidity in every sense."

THE SUM OF THE WHOLE MATTER

The "Leitch Survey," the statement of incomes of individual farmers taken from Dominion tax returns, and the steady decline in rural population, all point to one inescapable conclusion, viz., that Ontario agriculture is not in a satisfactory economic condition.

The facts given as to the burden imposed by a tariff policy designed to artificially foster urban industries at the expense of agriculture, clearly indicate the cause of this condition.

The other facts given as to the extent of our exports of animals to the United States—and animal husbandry is the very life-blood of Ontario agriculture—demonstrate what a shattering blow would be given to an industry already hard pressed if, from any cause, the American market were closed to Ontario farmers.

DEFINITE TARIFF DEMANDS.

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:

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

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.

By endeavoring to secure unrestricted reciprocal trade in natural products with the United States along the lines of the Reciprocal Agreement of 1911.

The agricultural implements, farm and household machinery, vehicles, fertilizers, coal, lumber, cement, gasoline, 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.