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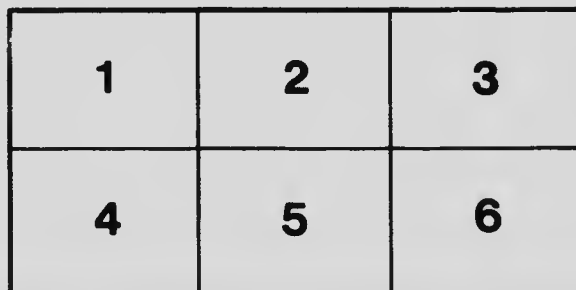
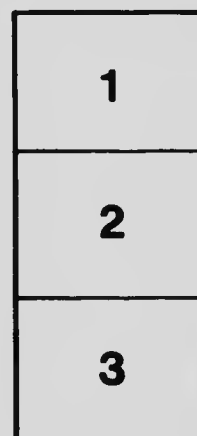
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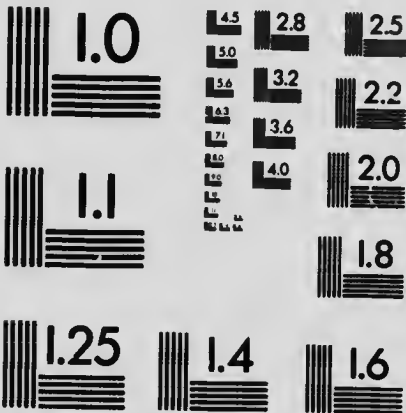
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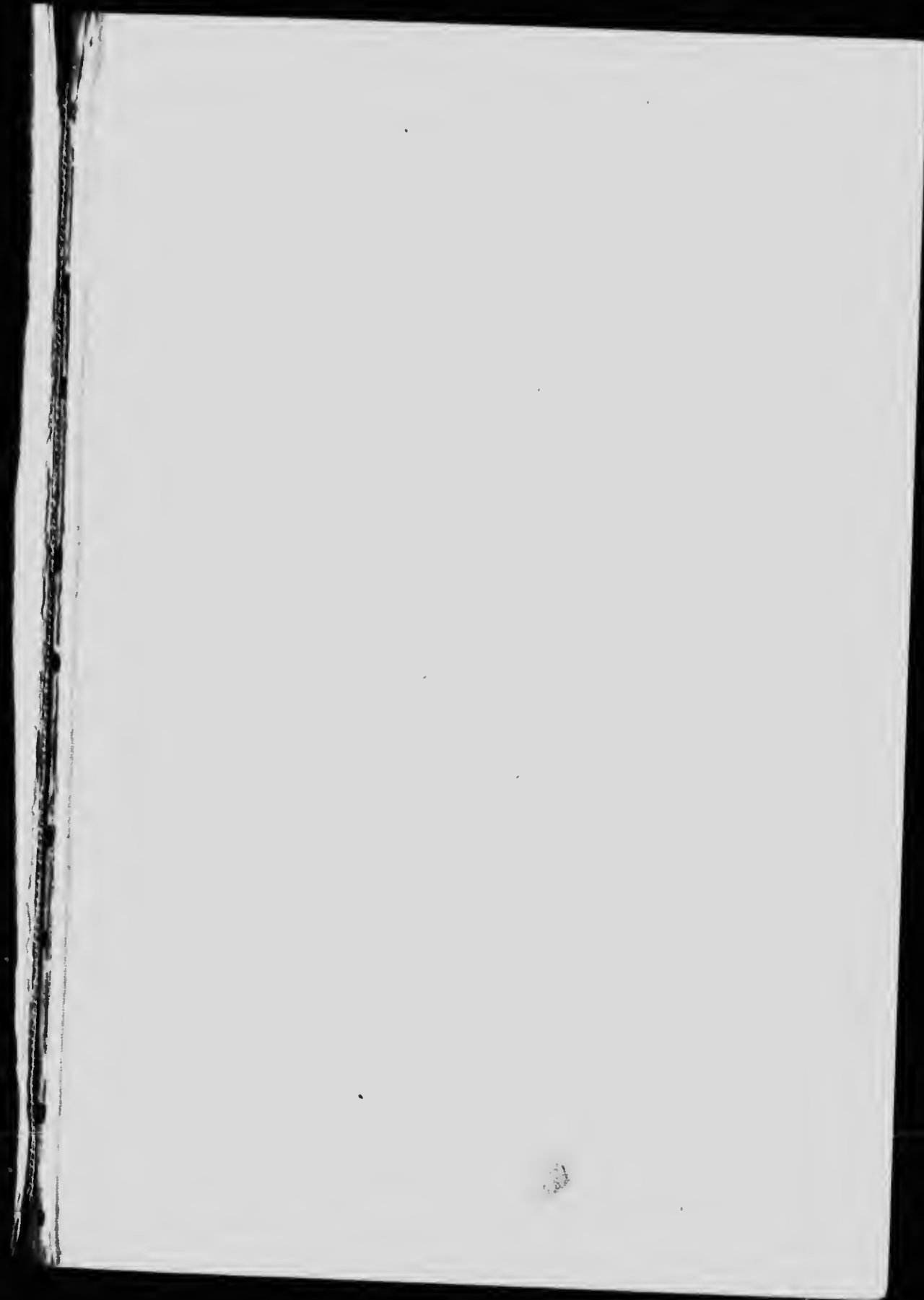
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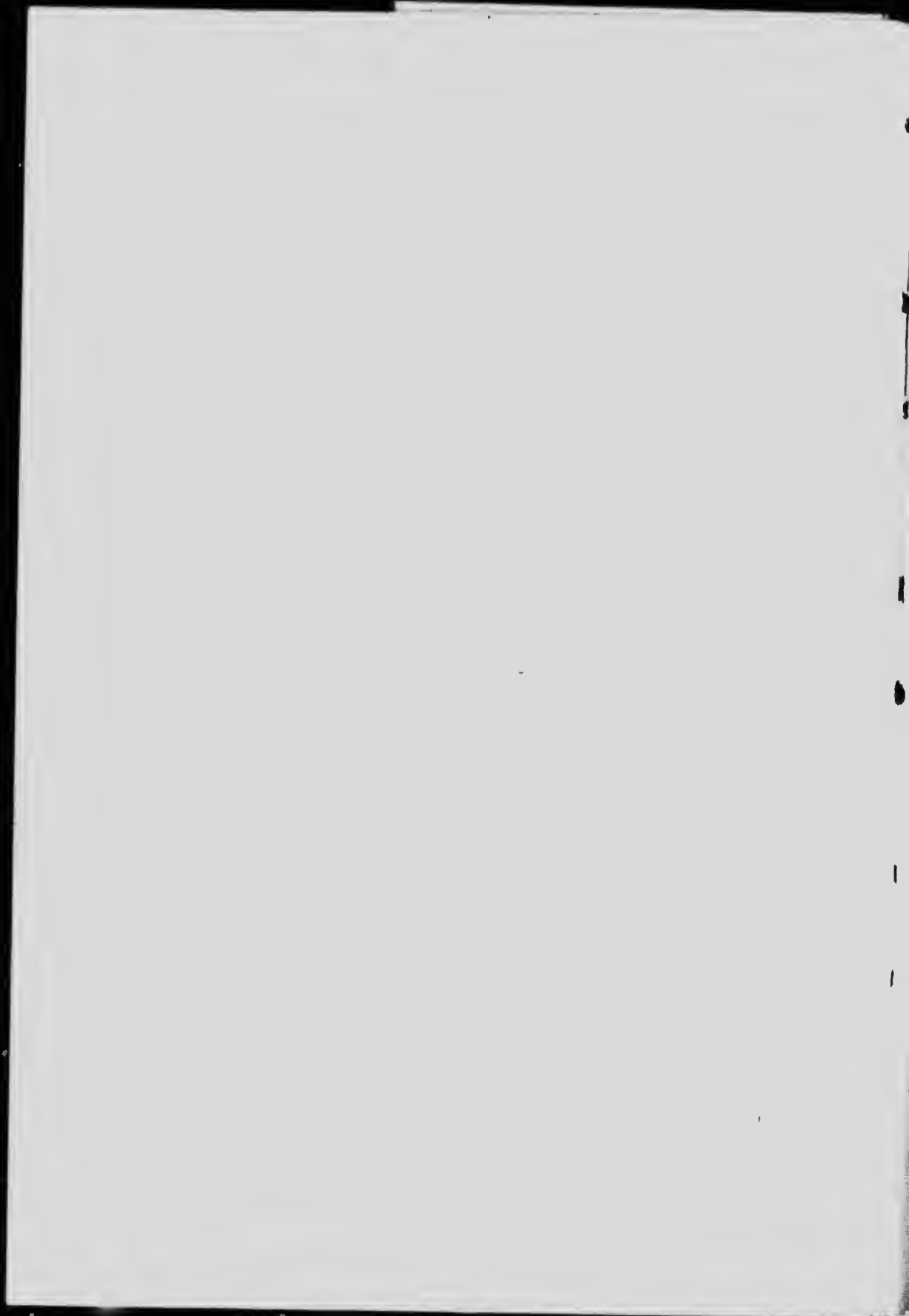
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PRODUCTION AND TAXATION
IN CANADA



ann 1989

Production and Taxation in Canada

FROM THE FARMERS' STANDPOINT

By
W. C. GOOD



1919

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AGENTS FOR

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AN APPRECIATION

BY

THE HON. T. A. CRERAR, MINISTER OF AGRICULTURE

This book, which I had the privilege of reading in manuscript some months ago, is the result of the personal experiences and studies of a man who is a practical farmer, and in addition has enjoyed the immense advantages of both a university and an agricultural college education. Mr. Good has long been known to me as one of the most intelligent and forward looking students of rural economics in Canada. The facts and conclusions which he sets forth in this book are a matter of common knowledge to most people who have examined rural conditions in Canada to-day with an impartial eye, but never before have they been set forth with such clearness of thought and language, and the case for a remedy presented in such a fine strain of human idealism. The author deals with cold facts and not fanciful illusions, and presents in the most convincing manner the case for speedy and drastic reform in our whole economic system if Canada is to pass comfortably through the trying years of reconstruction and attain to the high destiny which should be her goal. Our armies have won for us a primacy in arts of war. What we need now is to secure a similar primacy in the art of the organization of happiness and comfort for our people.

Mr. Good is obviously not an extremist and shows an almost studied moderation on certain questions. He realizes the limitations and defects of our farming communities, but he also has a deep and abiding sympathy

born of knowledge of the difficulties and burdens under which they labour. It says much for his industry that he has found time amid the busy duties of his farm to write this most excellent book and offer it as a contribution to the movement for rural reform and national betterment which that cause implies. Its pages are worthy of careful reading not merely by farmers but by that large element of our urban population whose livelihood, if they only knew it, is practically dependent on the prosperity of the farming community and who too often fail to ascertain and realize the farmer's point of view on economic questions and the reasons therefor. In such good temper and taste has this book been written that there is nothing in its pages to offend the most violent critic of the Agrarian movement which has now captured a very large portion of our Canadian farmers, and no man who wishes to form an impartial judgment on the most vital problems of his country should fail to read it. Personally, I have derived both pleasure and enlightenment from its pages, and apart from my warm personal regard for Mr. Good's character and ability, I feel I am performing a public service in heartily commending the book to the people of Canada.

OTTAWA, 16TH MAY, 1919.

T. A. CRERAR.

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PREFACE

The substance of the present volume has been given to the public already, in a series of letters to the *Farmer's Advocate*, published in the spring of 1916, and in several public addresses. Here I have attempted to weave all together so as to make a definite contribution to the solution of our Rural Problem.

Some minor corrections have been made in the statistical portion of the letters as first published, but these have not materially affected the general conclusions. The statistical part, in the nature of the case, contains a considerable number of approximations or estimates, and I can here only express my regret that, so far as I am aware, no criticism of the evidence and argument first submitted has been published. Had such been done I should have had a better opportunity for revision and amendment in this volume.

The problems dealt with have been impressed upon me very forcibly by my own experience. I was born and brought up—as was my father—upon the farm which I now own and work. The greater part of the years 1896-1901, I spent in undergraduate and graduate work at the University of Toronto. In

January, 1902, I took a position in the Chemical Department of the Ontario Agricultural College, where I stayed nearly two years. In the fall of 1903 I returned to the farm, where I have been ever since and where I expect to stay.

It was only natural that, during my sojourn at the O.A.C., I should imbibe the viewpoint and views long prevailing in Agricultural officialdom. The application of Science to Agriculture could, and would, work wonders. Production could be greatly increased: in fact there was no limit to the possible improvement in this direction. Knowledge, determination and industry would soon make the desert blossom as the rose. I had a fair share of youthful ambition and, when I took over the farm in 1903, I had large plans and no little self-confidence.

The last fifteen years have been largely ones of disillusionment and change of perspective. Plans have been constantly thwarted by conditions over which I had no control. The effort to increase production succeeded for some years, and then proved futile. Labor was scarce, uncertain and poor in quality, so that, in spite of rising prices and the imperative demands of war-time, curtailment in production was forced upon me. Many of my neighbors had responded to the pressure earlier; and I gradually learned how impossible it was for the individual to fight successfully against the pressure of general

economic conditions. Hence the importance of "Science," to the average farmer under present conditions, fell greatly in my estimation, and I perceived that the present decline in Canadian Agriculture would not, and could not, be remedied merely by the study of those "physical" and "natural" sciences which underlay successful farm management. These sciences I had studied and had attempted to apply. The results were, however, discouraging. My attention was therefore directed to an investigation of general economic conditions as they affect Canadian farmers, and in this volume I give to the public a statement of the conclusions to which my investigations led. I trust that this statement may be of service in solving the problems of "Reconstruction" which now make such imperative demands upon our thought and citizenship.

W. C. Good.

PARIS, ONTARIO,
February, 1919.



INTRODUCTION

THE IMPORTANCE OF AGRICULTURE IN NATIONAL ECONOMY

“ In fact, it may be discovered that the true veins of wealth are purple—and not in Rock but in Flesh—perhaps even that the final outcome and consummation of all wealth is in the producing as many as possible full-breathed, bright-eyed, and happy-hearted human creatures.”

—*John Ruskin.*

“ Agriculture is not only an occupation which some individuals follow for profit, it is a great national interest, determining in a dominant way the fortunes of the nation and the opportunities and the character of the population. So, while the improving of Canadian agriculture primarily concerns the farmer and his family, it affects the status of Canada, its outlook and its destiny.”

—*Dr. Jas. W. Robertson.*

Of all the industries that contribute to human welfare Agriculture is undoubtedly the most important. And this is true despite the fact that others may be of more immediate importance in serving man's higher mental and moral life. It is true because Agriculture is more than the greatest and most fundamental of our primary industries: Agriculture also furnishes the human material—the men and women—for the other industries and vocations. It is a notable fact that the great

majority of leaders in various walks of life come immediately or almost immediately from the farms, and that the country is the seed-bed of the whole population. Whatever may be the case in the future, city life has been, and is yet, self-extinguishing. Were it not for the influx of fresh and virile blood from the country, city-life would disappear from inherent weakness, and that much of civilization which is dependent thereon would disappear also. Rural life, therefore, is the permanent source from which all life springs: all families and all classes come more or less immediately from those most closely associated with Old Mother Earth.

This notable fact is not accidental. There are reasons for it. In the first place Agriculture (including, of course, the minor industries of lumbering and fishing) has almost a monopoly of *fresh air and sunshine*, two things of paramount importance in the building up of a strong manhood and womanhood. The farm also has the best opportunity of furnishing the freshest and most abundant supply of *good food*, equally important, with fresh air and sunshine, in the development of the rising generation.

In the second place, farm life and work is essentially *domestic*, requiring the co-operation of all members of the family. In this respect agriculture is perhaps unique. The city man's work is generally divorced from his home and family, and an early

break up of family ties and interests is encouraged, both by a separation of activities, and also by the proximity of multitudinous distractions and diversions. In fact it is extremely difficult to maintain home and family life in the city. In the country, on the other hand, the farm home is the centre of the farm work, and there is ample scope for all members of the family to co-operate in carrying on the work of the farm and home. Little children fill their places happily and usefully at a very early age unconsciously learning many things, and growing in skill, ability, and willingness for practical co-operation. No one who does not know intimately the possibilities of farm life in this respect can fully appreciate the tremendous advantages which agriculture possesses over other occupations in the education of children and in the development of some of the most important virtues through family co-operation.

Whittier has given us a beautiful picture of his own boyhood on the farm in "The Barefoot Boy."

"Blessings on thee, little man,
Barefoot boy with cheek of tan!
With thy turned-up pantaloons,
And thy merry whistled tunes;
With thy red lip, redder still
Kissed by strawberries on the hill;
With the sunshine on thy face,
Through thy torn brim's jaunty grace;
From my heart I give thee joy,—
I was once a barefoot boy!"

It is an inestimable privilege to have been born and brought up in the country, and an even greater privilege to see one's own children, clear-eyed and happy-hearted, racing joyously over the hills.

In the third place, farm work is conspicuously *seasonal* in its character, and requires the closest co-operation between man and nature. It is also extremely varied, and makes unusual demands upon the capacity for taking the initiative. Thus it tends to develop resourcefulness and adaptability, and is in these respects in marked contrast with a very large proportion of urban work. Further, the city dweller misses the full significance of man's dependence upon nature. His work goes on regardless of the weather. His food comes ready prepared to his door. Storm and flood, and all the gigantic destructive forces of external Nature, only rarely or remotely affect him. He knows them indirectly and unsympathetically. He misses the full meaning of the command: "In the sweat of thy brow thou shalt eat thy bread:" misses the moral discipline which comes to those engaged in the more fundamental work of primary production.

In the fourth place, farm life is relatively *quiet* and free from the distractions and interruptions of city life. Thus it tends to promote concentration and continuity of thought, and to develop mental power. Further, rural life establishes between man

and external nature a sort of communion that may become sacred in its influence; helps to cultivate the attitude of prayer in which the spirit of man comes into closer contact with the Great Spirit; takes one away sometimes to the mountain top to get strength and calmness. Few of us realize our dependence upon, and reverence for, the great, serene, silent, strong, and yet ever changing world about us; fewer still there are who can suitably express their feelings; but there are not a few who can join with the poet Wordsworth, who wrote in the midst of the great European upheaval of the French Revolution:

". . . Once again I see
 These hedgerows, hardly hedgerows, little lines
 Of sportive wood run wild; these pastoral farms,
 Green to the very door; and wreaths of smoke
 Sent up in silence, from among the trees;

.

These beautiful forms
 Through a long absence have not been to me
 As is a landscape to a blind man's eye:
 But oft, in lonely rooms, and mid the din
 Of towns and cities, I have owed to them
 In hours of weariness, sensations sweet,
 Felt in the blood and felt along the heart;
 And passing even into my purer mind,
 With tranquil restoration:—feelings, too,
 Of unremembered pleasure: such, perhaps,
 As have no slight or trivial influence

On that best portion of a good man's life,
His little, nameless, unremembered, acts
Of kindness and of love. No less, I trust,
To them I may have owed another gift,
Of aspect more sublime: That blessed mood
In which the burthen of the mystery,
In which the heavy and the weary weight
Of all this unintelligible world,
Is lightened;—that serene and blessed mood
In which the affections gently lead us on,—
Until, the breath of this corporeal frame,
And even the motion of our human blood
Almost suspended, we are laid asleep
In body, and become a living soul:
While with an eye made quiet by the power
Of harmony, and the deep power of joy,
We see into the life of things."

It is a significant fact that poetry finds its chief inspiration in the open country, and that every art-gallery reveals that deep, vital and abiding interest which the human heart takes in rural and domestic life. Men drift to the cities; drift often out of pure air, health, strength, beauty; drift often in a few generations into physical weakness and feverish depravity. Is it any wonder that there is an instinctive longing for the healing balm of Nature; for a return to the simpler, saner life of one's ancestors; for quiet; and time to think; and a place where one may rear one's children in health and safety?

Rural life is therefore of permanent and vital importance to any civilization. And it is important not only for the reasons outlined already; it is

important also because the maintenance of a numerous, strong, intelligent, and independent yeomanry is the best guarantee for the maintenance of democracy; and a real democracy is the only guarantee of permanent social existence, containing as it does within itself the seeds of growth and continuity. Therefore the maintenance of a high standard of life on the farm is a condition upon which depends the quality, and indeed the very existence, of the whole social fabric.

“Ill fares the land, to hastening ills a prey,
Where wealth accumulates, and men decay.”

It should be borne in mind, however, that the importance of Rural Life is no guarantee of its quality. Deterioration, degeneration, is quite possible. Rural Life has its dangers and disadvantages; and its possibilities for good are by no means always realized. Poverty and isolation accentuate a narrow individualism. Prejudice feeds upon ignorance, and renders co-operation impossible. Mental and moral deterioration increases poverty, which, in turn, aggravates its own causes. Rural social institutions decay and finally disappear. The last step is physical degeneration, which, indeed, though not unknown in Canada, is rare, since it is self-extinguishing.

Now, although Canada is a new country, there are districts where, in the course of a couple of

generations, rural degeneration is unmistakable. For the most part these are to be found where land has been naturally poor,—where settlers have gone in to remove the timber and have remained. It is not necessary to mention particular sections. Those familiar with rural Canada know of several; and indeed, the question has received some little notice in the Press. One may safely state here that such a condition constitutes a terrible menace to Canadian civilization.

The improvement of rural life is, therefore, one of the most vital problems for any nation. In particular, it is a vital problem for us in Canada, because we have a Rural Problem of the most serious character, the nature and extent of which I shall proceed to indicate.

PART I
THE FACTS



CHAPTER I

CANADA'S RURAL PROBLEM: WHAT IT IS AND WHAT IT INVOLVES

To those who live in Rural Canada with their eyes open, it is not necessary to explain, or dilate upon, the nature of our rural problem. To others I may say that the essential features of the problem are, first, that it has become profitable, indeed, almost necessary, for farmers to curtail production; and, second, that the satisfactions of farm life have not been sufficient to retain in the country the requisite number of people to maintain in proper condition rural institutions. Nor, while undoubtedly aggravated by, is the situation in any way justly attributable to war conditions.

Rural depopulation has been a marked feature of Canadian life for several decades past. During the years 1901-1911 the proportion of rural to total population has fallen in every Province.* Taking Canada as a whole the increase in rural population during this ten year period was only 17 per cent. while the increase in the urban population was 62 per cent. In the older sections the rural loss was not

* See an excellent book by Rev. John MacDougal on "Rural Life in Canada," published in 1913.

merely relative but absolute. During the decade 1901-1911 New Brunswick lost 1,493 from her rural districts; Prince Edward Island lost 9,546; Nova Scotia lost 23,981; Ontario lost 52,184. Many Ontario townships lost heavily, and with startling rapidity. Kinloss township lost 23 per cent. in the decade; Garafraxa, 24 per cent.; Keppel, 34 per cent.; Sarawak, 48 per cent.; and Galway, 51 per cent. These are possibly exceptional cases; but even in such particularly good agricultural counties as Huron and Middlesex the rural loss has exceeded 15 per cent. Such losses are, however, much less than the real losses. The rural population has increased both by the increase of births over deaths, and by immigration. Taking these into consideration a conservative estimate places the migration from Ontario farms as 375,000 during the last census period. The same situation is paralleled in all the other older English speaking provinces. Even in Quebec, with a total rural gain of 4 per cent., there is a shrinkage in twenty-seven counties.

In Manitoba and the "New West" the same tendencies are at work. Many rural districts show declines in population, which, of course, taking the country as a whole, are more than counter-balanced by the expansion into new territory. The writer has in mind one district in particular, in Manitoba, where, within a period of twenty-five years, one can

trace all the changes from pioneer settlement and rapid expansion to social and agricultural decline.

Mr. MacDougal estimates that about 650,000 persons left our country districts during the years 1901-1911. Where have they gone? They have gone into the cities both in Canada and in the United States. Boston is said to contain 200,000 Canadians. Several other American cities contain a majority of Canadian born.

The decline in rural population has not been confined merely to the last census period. During the years 1891-1901 Canada's rural gain of one per cent. must be contrasted with an urban gain of 31 per cent. But the decline goes back much farther. The county of Durham, including the towns of Port Hope and Bowmanville, gives the following account of itself:

Population in 1871.....	37,380
“ 1881.....	36,265
“ 1891.....	32,427
“ 1901.....	27,570
“ 1911.....	26,413

This decline is typical. Taking Ontario as a whole the forty years 1871-1911 have witnessed a total rural decrease in population of 111,620 and an urban increase of 1,015,043.

Another aspect of the situation is that of the abandoned farm home. In the period 1901-1911 the

township of East Zorra, in Oxford county, closed 13 per cent. of its homes; Ashfield, in Huron, another splendid agricultural township, lost 15 per cent. Some of the poorer sections lost much more heavily, running well up to 50 per cent. But the abandoned dwelling is of less importance than the weakened household. "In 1901 the average number of persons per family in city and country throughout Canada was 5.16. In Grenville it was then 4.42. In 1911 the average for Canada in city and country had fallen to 4.48. But in Grenville it had fallen to 4.07. Family life that averages only four persons to a household throughout a community of over seventeen thousand persons can suffer little further diminution and continue."*

Other important aspects of the problem are those dealing with the condition of rural social institutions—with church and school, with club and debating society, and, generally, with the *quality* of rural life. For discussion of these I must refer my readers to Mr. MacDongal's book, already referred to in footnotes.

I may, perhaps, supplement Mr. MacDougal's presentation of the case by emphasizing one thing that has impressed me very forcibly wherever I have travelled in Canada, viz., the tremendous waste of agricultural opportunity, through lack of labor. We

* "Rural Life in Canada," p. 39.

have, in fact, in many places realized an abomination of desolation, where fertile fields and happy homes might exist. Land which might be cultivated—which was cultivated—is now turned into cattle ranges. Weeds are on the increase. Much land is practically abandoned. Fallen and dead timber which might be used for fuel is rotting. Land which might be reclaimed by drainage is a wilderness of bog. Rough land, not suited for cultivation, has not been reforested. For one who has any right ideal of what a farm should be, it is most painful to travel throughout this "Garden of Canada" and see how far we are from realizing that ideal, and how little progress has been made in the last thirty or forty years.

Of course there are certain districts where, for special reasons, improvement is distinctly noticeable. But on the whole, as compared with conditions a generation ago, or as compared with conditions in other countries, the aspect of the Ontario countryside is, to say the least, depressing.

Certainly if one were to look for improvement one would naturally turn to a district adjacent to a thriving city, but, of course, beyond the devastating range of the real estate speculator. The city of Brantford, near which the writer lives, has more than doubled its population in the last thirty years. And yet within five miles of that city one can point

to many farms which, during the same period, have undergone marked deterioration. They are actually producing much less than they did thirty years ago and are supporting a much smaller farm population. I venture to cite the following typical cases:

Farm A. of about 200 acres. Thirty years ago this farm supported about ten adults and eight children resident thereon in three houses. It had orchard, garden and flowers. It produced good crops and was stocked heavily with pure-bred cattle, horses and sheep. Two years ago this farm was half-worked by a ne'er-do-well tenant, had but two houses, both in a bad state of repair, had a few poor stock, and was generally in a hopeless condition.

Farm B. of about 250 acres of splendid agricultural land. Thirty years ago this farm was heavily stocked with dairy cattle; produced large crops; had two houses and extensive farm buildings; and supported from ten to fifteen people. A few years ago it was wholly abandoned, or rather rented as a cattle pasture for part of the season by an absentee. At present it is occupied by a Russian Jew.

Farm C. of about 200 acres. Thirty years ago this farm gave labor to three or four permanent adult workers, with extra help in the summer time. It was a model of cleanness and neatness, produced large crops and was heavily stocked with well bred animals. Of late the owner, a son of the former

owner, has been forced to make shift with but one hired man. Production of both field crops and live stock is much less than it was thirty years ago.

Farm D. of about 150 acres, of poorish land. Forty years ago this farm produced well under skilled management, was clean of weeds, was kept neat and tasteful in appearance and boasted of an exceptionally good orchard and garden. For some years past it has deteriorated under tenants, and is now partly abandoned. Orchard and garden give evidence of utter neglect, and the whole place possesses a dilapidated appearance.

Such cases are not rare in rural Ontario; in fact they are very common indeed, and that in spite of constantly increasing prices for farm produce, which the average city resident thinks indicative of rural prosperity.

Not only has there been a notable curtailment in farm production, relative if not absolute; there has been also a general decrease in the number of children in the average rural family. Some of the comparisons between the rural school attendance forty years ago and now are positively startling. Where are the children, beyond all controversy Canada's most important "crop"? "Curtailment of production" in this direction is of even more importance and greater significance than that in the way of food production. Taking both into con-

sideration one cannot regard the future without anxiety.

It is not necessary to speak at length of the effects of the great war upon our Rural Problem, because this problem was here before the war began, and remains with us, in an intensified form, now that the war is over. It is too soon to estimate the effects of the great upheaval upon our industrial life, but I am quite confident that the war has not solved Canada's Rural Problem, and that it will not solve itself.

There are certain economic aspects of our rural problem, that are of peculiarly national interest, which I desire to note at this point. I refer to the connection between Canada's financial safety and her rural conditions. Up to the outbreak of the war this connection was generally ignored by those in authority. So long as money could be borrowed the merry dance continued. But when the war came, and put a sudden stop to the influx of capital from abroad, those who were wont to extol agriculture in after-dinner speeches and advise farmers from their easy chairs, suddenly woke, and began dimly to perceive that the situation had become serious. What was this situation?

The bonded debt of our railways had expanded by a billion and a quarter in the last thirty years. The federal debt had increased about three hundred

millions during the same period. Per capita expenditure through the Federal Government had more than doubled. Debenture and floating debts of municipalities had trebled or quadrupled. Taking everything into consideration Canada was laboring under a debt of nearly four billion dollars, or a burden of over \$2,000 per family.

To carry safely this load, with a reasonable prospect of paying off some of the principal, our primary industries should have been rapidly expanding. But what did we find? With the exception of the grain growing industry of the West (and, possibly, the live stock industry of the same country during the last few years), agricultural production had been virtually stagnant for thirty years. Even in the West, production had, of late, been halting. Instead of directing our attention towards a steady improvement of agriculture, we had been spending time and money building new railways and doing all sorts of things which might better have waited. Sir Thomas Shaughnessy stated that our Railway Policy had been "wild and stupid." It had been, in fact, similar to the policy of a farmer who should spend his whole summer's efforts on the erection of a magnificent barn, mortgaging his farm to secure the funds, and who should then find that he had no crops to house, having neglected to cultivate his fields.

Our industrial structure had become top-heavy. Sir George Paish summed up the situation as follows:

“It is evident that the railway machinery created to take care of the production of the country is sufficient to deal with at least twice, if not three times, the existing output; and it is obvious that the burden of interest upon the immense amount of capital supplied will be a heavy one until the productive power of the country is greatly increased. I am convinced that every possible effort will be made by all concerned, the Canadian Government, the Provincial Government, the municipalities, the great railway companies, bankers, traders, and others, as well as by British investors,—to increase rapidly the agricultural and mineral output of the country, upon which the welfare of the Canadian people, both individually and collectively, absolutely depends; and the effect of their concerted effort will be so great that the country will carry with safety a burden of interest which might otherwise overtax its strength. It is, however, of the greatest possible importance that the work of directly increasing the productive power of the country by placing a larger proportion of the population upon the land and in the mines should be carried out with the least possible delay.”

This, then, was our situation and our need. Our safety lay in the speedy revival of agriculture.

Then came the war. Straightway immense expenditures for war purposes began to be added to our federal debt, and enlistment began to reduce the number of available workers. Fortunately, the season of 1915 was propitious, and good crops were generally obtained throughout the whole country. But since then both climate and labor shortage have

conspired to curtail production seriously, so that at present the national financial problem is even graver than it was when the war broke out, for no one dreamed that our war debt would have attained the magnitude it has.

It is true that something has been gained by the war-time increase in exports, chiefly of munitions. But this is now practically at an end, and our exports of manufactures will probably soon assume normal or even sub-normal proportions. The export of munitions has given temporary relief: that is all.

Further, permanent relief will not come until more labor and capital are available for our primary industries and for other industries that are self-sustaining; and this labor and capital will not be available until agriculture becomes more attractive. Schemes so far devised—by city men—for placing returned soldiers “on the land” are pathetically inadequate, and impossible to realize. Much money is likely to be wasted if they are tried. The problem of the returned soldier is much more complicated and difficult than most people imagine, and it is especially desirable that any schemes for inducing returned soldiers to go “back to the land” should be submitted to the judgment of practical farmers before anything is done to carry them into effect. Good intentions are not sufficient: good sense is also required from those in authority.

Our national safety, therefore, as well as the solution of our railway problem, lies, as before, in the revival of agriculture. How can this revival be secured?

Before attempting to answer the question in a positive way, I should like to point out that many answers that have been given are entirely irrelevant. The fundamental law that man seeks to satisfy his desires with the least effort is a sufficient explanation of the general fact that labor and capital flow towards those industries which return the greatest rewards. These rewards are by no means all of a material or financial character. Taken all together, however, they are in some rough manner estimated by men, and these estimates, whose essential accuracy it is idle to dispute, control the distribution of labor and capital between the various industries. It is, therefore, quite beside the mark, in trying to explain the relative deterioration of our primary industries, to advance the argument that farmers do not treat their sons and daughters as they should, or that the social life of our towns and cities possesses a tremendous attraction for the young people in the country. These and many similar things may be admitted. But why should farmers' sons and daughters be ill-treated above all others? And why should there not be a social life in our

rural districts to hold the young people in the country? Why should rural social institutions decay, and why should the most enterprising young men and women move to the city? Why should many well-meant efforts to make farm life attractive fail? The answer will be found largely in the general statement that labor and capital have not been adequately rewarded in Canadian agriculture: and if we set ourselves to discover how and why this condition has arisen, we shall incidentally answer and solve the minor questions and problems. The fundamental reasons are economic; and while we may find some who are ready "to farm for less rather than do anything else for more," we cannot hope to put agriculture upon a stable basis until, to use a common phrase, "it pays."

The revival of agriculture will consist of, and result in, *Better Farming*, *Better Business* and *Better Living*, but will depend primarily upon *Better Returns* for the effort expended. Other things being equal, agricultural production can be increased by the establishment of conditions making farming more profitable. This need is primary and essential, because the intelligence required for *Better Farming* and the good judgment required for *Better Business* will both seek other occupations if the rewards in agriculture are inadequate. Education for *Better Farming* and *Better Business*

has availed little in the face of economic disabilities; and it never will avail without equity in distribution. Just think of it—amidst almost unlimited natural resources and boundless areas of fertile land the high cost of living in Canada has become a national disgrace and a national menace, and all this in spite of the most assiduous and eloquent preaching from an army of agricultural experts!

Our state agricultural authorities have been depending too much upon exhortation. "Grow more grain, Keep more and better stock," said the "Agricultural War Book." The advice was both needless and irrelevant; needless because it is in the farmer's own interest to reach that point beyond which, under given conditions, increased production is secured at a loss; and irrelevant because it does not afford any practical suggestions as to how this *desideratum* is to be attained, apart from those suggestions with which we are all familiar, and which we are trying to apply as far as conditions will permit. It is poor economy to pay a dollar to earn fifty cents, and quite frequently the exhortation to "grow more grain" practically involves spending much and getting little. Every farmer knows in a practical way the economic law of *Diminishing Returns*; knows that it is folly to try to aim at *maximum* production regardless of the cost of production. A field

might be cultivated ten times and harrowed twenty times in preparation for seeding oats, but the additional crop would not pay for the additional work involved. There is a point where it is time to stop. Further, the farmer knows, as a rule, as well as any one else, *how* to "grow more grain," and to "keep more and better stock." Under given conditions the farmer will apply his knowledge only so far as this application brings him any real reward, and he may be pardoned for declining to "keep more stock" if this should involve his working sixteen hours a day as against ten hours a day without stock. When it becomes profitable to "grow more grain and keep more and better stock" it will be quite unnecessary to urge farmers towards that end; whereas it is useless permanently to urge it when it is unprofitable. And he who is actually in the business must be the judge as to profitability or unprofitability of any undertaking. Those city residents or officials who think that farmers are not growing enough grain or keeping enough stock should themselves demonstrate how increased production can be obtained. Let practice and demonstration precede preaching.

As a matter of fact the campaign of educational work carried on under the auspices of our various departments of agriculture with such assiduity for the last thirty years has been powerless to stem the tide cityward. It has done much good but it has

failed to meet the needs of the situation. It has been good so far as it has gone, but it has not gone far enough. It has touched only the *production* of wealth, and has ignored the question of *distribution*. Without equitable distribution production will halt. No man will sow where he cannot reap, unless he is enslaved; and if, all things considered, the rewards of other occupations are greater than those of farming, farmers will drift to other callings, and agriculture will suffer. Frank recognition of this fundamental truth would brush away many cobwebs of fallacy which now blind and confuse our minds; would clear the ground of unessentials, and enable us to perceive clearly the vital basis of the whole matter.

However, I do not wish to minimize the good results of education for *Better Farming*, *Better Business* and *Better Living*. Without it our plight would have been far worse. Every farmer should aim to utilize as much as he possibly can all technical information pertaining to the business of production. He should study soils, plant life, live stock and all the other multifarious things with which the farmer has to deal. He should keep in touch with the best farm practice, and he should inform himself as to the latest results of scientific investigation. He should discuss farm methods with his neighbors, and also gain others' experience

by reading farm papers. All this is necessary in the revival of agriculture.

Of even more importance is *Better Business*, which consists of good farm management so far as the individual farmer is concerned, and co-operation so far as farmers generally are concerned. The problem of efficient farm management is one of extraordinary intricacy, which those not intimately acquainted with actual conditions may altogether fail to realize. Volumes have been written upon this aspect of farming alone, and there is no other industry that requires a greater degree of intelligence or better judgment. So far as co-operative methods go, the time has gone by when the farmer can live for, or to, himself. Other industrial classes are organized and he must organize. Individually he cannot now either buy or sell to advantage. Co-operation has become imperative.

In the revival of agriculture *Better Business* is of special importance because it need not wait for any political changes, or any general change in economic conditions. *Better Business* begins at home, and has made progress everywhere in spite of, or perhaps by reason of, the greatest difficulties. So far as it goes it will make for *Better Returns*, and thus fulfil the fundamental condition of industrial progress. Sir Horace Plunket, one of the greatest leaders in agricultural co-operation, says: "Better farming means the application of modern science to

the practice of agriculture; Better Business is the no less necessary application of modern commercial methods to the business side of the farming industry. Better Living is the building up in rural communities of a domestic and social life which will withstand the growing attraction of the modern city. This three-fold scheme of reform covers the whole ground, and will become the basis of the country life movement to be suggested later. But in the working out of the general scheme there must be one important change in the order of procedure: *Better Business must come first.*"

Much has been said as to the work of the rural school in making for Rural Betterment. The question is a most important one. Undoubtedly a different, and better, education in our rural schools will help to solve the rural problem. Consolidation has been advocated with great force. Better and more permanent teachers are much needed. But in this whole matter, as in that of home conveniences, the difficulty is at bottom economic. Many farmers feel that they cannot afford better educational institutions, or pay higher salaries so as to get permanent, well qualified teachers. Rural depopulation has greatly aggravated the situation in this respect, and it is unquestionable that the general feeling of despair as to improvement in the country school has a sound basis. To a certain extent, of course, this attitude is fallacious, since better

education would in a large measure pay for itself in the greater efficiency of those educated. But it is only partly fallacious. Many farmers have seen how frequently those of their children who receive our so-called higher education are lost to agriculture, and a farmer may be pardoned if he does not feel very enthusiastic about giving his children a "higher education."

Secure justice, ensure to the farmer an adequate reward for his labor, and this question will gradually adjust itself. One of the chief difficulties at present is the fact that many of our teachers are inoculated with the virus of false ideals, a result of our economic discrimination in favor of urban and against rural industry. Our whole educational system is thus biased, and it will be some time before this bias can be removed. This question, however, while one of the greatest importance, does not lie within the scope of this volume. The same may be said of the Rural Church, which may conceivably become one of the greatest powers in rural regeneration. What Church Union may accomplish in this direction yet remains to be seen. Of late the Church, too, has taken on a city bias. The country minister, with some notable exceptions, looks forward to earning a city charge, and the "prominent layman," with his too easily made city wealth, has much too large a place in the church's councils. The issue is therefore problematic.

Of *Better Living*, the crown and consummation of all rural regeneration, little need be said here. So far as home conveniences and leisure go, improvement will depend upon *Better Returns* quite as much as upon better ideals. Farmers are just as anxious to have comfortable homes and a little leisure for recreation as are other classes. For the most part they do not enjoy these things because they cannot afford them. So far as other matters go, for example, the elevation of intellectual and spiritual life, the creation of simple and wholesome tastes, and the development of community spirit, progress will depend upon Church, School and voluntary organizations such as Farmers' Club or Women's Institute. In Ontario the Women's Institutes have been a powerful factor in making for a better home life, and we may look for great things in this direction if the movement does not suffer from state paternalism.

But, as has been said before, the basis of the whole matter is economic and the key to the solution of our rural problem lies in a study of the problem of distribution. But before taking up this study in a general way let us examine concretely some of the ways in which Canadian agriculture has been discriminated against, some of those influences which have neutralised the good work done by agricultural education.

CHAPTER II

ECONOMIC DISCRIMINATION AGAINST RURAL AND IN FAVOR OF URBAN INDUSTRIES

As was said, it is generally admitted that Canadian agriculture needs stimulation. It is *not*, however, generally admitted that from an economic point of view agriculture has not been getting its just due; the decline of agriculture has been attributed rather to those incidental and accidental conditions of which mention has been made already, and which do not touch the root of the matter. I propose, therefore, to submit some evidence of a statistical nature touching upon this question, which evidence, although really less conclusive than that of a more general character already mentioned, throws much light upon the relative decline of Canadian agriculture.

The argument following deals, for very obvious reasons, with the period preceding the war. During the war prices fluctuated so much and industrial conditions were generally so abnormal that it would have been foolish indeed to have included that period. Further, since the last census was taken in 1911 it was convenient to make that date a starting point, and deal with the five-year period following it. The reader will notice that in some matters it is

the period 1910-1914 that the returns refer to, while in others it is the period 1911-1915. This, however, is practically immaterial, since mathematical accuracy is not to be looked for.

The production of manufactured articles in Canada for 1910 is given as \$1,165,000,000 (Census 1911). The production for 1905 is estimated as \$718,000,000.* Assuming the same increase (actual, not proportionate) in the next five years, we have a production of \$1,612,000,000 in 1915, or an average of nearly \$1,389,000,000 per year for the years 1911-1915. As these figures are only approximations, as accurate as can be obtained under the conditions, let us say that the average production of manufactured articles, per year for 1911-1915 was \$1,400,000,000, an increase of one-fifth over the figures for 1910.

The capital employed in manufacturing in 1910 is given as \$1,247,000,000; and it is perhaps fair to assume that this has increased during 1911-1915 in a ratio corresponding to that existing in the case of the increase in production. The average capital employed during the years 1911-1915 may, therefore, be taken as \$1,500,000,000.

The figures giving "capital employed" are in many respects undoubtedly unsatisfactory. Do they mean capital actually invested or merely capitaliza-

* Canada Year Book, 1915, p. 249.

tion? Do they include or exclude the value of premises leased for manufacturing purposes? I do not know. However, since there is much industrial over-capitalization, we may, I think, assume that the figures given are at least large enough.

The cost of labor and raw materials in 1910 is given as \$842,000,000. Assuming a similar increase of one-fifth the average cost of labor and raw materials per year for the years 1911-1915 may be taken as a round billion dollars.

Deducting the cost of labor and raw materials from the total product, we get an average balance of \$400,000,000 per year for the period 1911-1915.

Deduct from this a further sum of five per cent. on the investment, viz., \$75,000,000, and a one per cent. municipal tax, and we still have left a balance of \$310,000,000.

The question now arises as to the value of the equipment in our manufacturing establishments. I cannot find any figures dealing with this, but I submit that, with a capitalization of \$1,500,000,000, \$1,000,000,000 is a liberal allowance for equipment.* Deduct, therefore, a further five per cent. annual

* Since the above was written the Dominion Bureau of Statistics has issued a statement embodying its census of Canadian manufactures for the year 1917. According to this statement the capital invested in land, buildings, fixtures, machinery and tools amounted to about 57 per cent. of the total capital. The above assumption is therefore extremely liberal.

depreciation on equipment,* viz., \$50,000,000, and we have left a surplus "profit" of \$260,000,000.

There are a number of other items of expense, or cost, which "manufacturers" have to meet (usually classed as "Overhead Charges"), such as Workmen's Compensation, Fuel, Insurance, Water, Light and Office Supplies, Postage, etc. Up to the present I have been unable to obtain any figures in this connection, and the foregoing analysis of the Manufacturing Industries has been written without taking any of these items into consideration. The cost of Insurance, for example, has been left out of the calculation with respect both to Manufacturing and Farming. By making liberal allowances in respect to invested capital, depreciation of equip-

* Possibly this figure is too low. I have assumed the same depreciation in agriculture, however, and I believe the depreciation of farm equipment is at least as rapid as in the case of "manufacturing" equipment. In the first place most farm buildings are frame, and therefore subject to fairly rapid decay. They must be replaced much oftener than in the case of brick, stone or cement buildings. Further, although farm implements, vehicles and machinery do not run as constantly as those employed in city "manufactures," they run under conditions which lead to fairly rapid deterioration. I should think that in the case of farm implements ten per cent. should be written off each year; which I venture to believe is not exceeded in the average city factory. Finally, with respect to the "scrapping" of obsolete machinery it may be fairly maintained that farm implements get "out of date" about as quickly as any other class of machinery.

ment, etc., I believed that the figures were approximately correct. Just as this is going to press, however, I have received a preliminary statement of the Census of Canadian Manufactures for the year 1917, conducted by the Dominion Bureau of Statistics, in which detailed information is given with respect to a number of these items; and I therefore take the opportunity of inserting here a summary of this statement.

The value of the products for 1917 is given as \$3,015,506,869. Against this must be set the following costs:

Materials	\$1,602,820,631
Wages	457,245,456
Salaries	95,983,506
Fuel	73,087,840
Miscellaneous expenses	239,373,046
Interest on investment	138,625,884
Total costs	<u>\$2,607,136,363</u>

Deducting the total costs from the value of the products we have left a surplus "profit" of \$408,370,506.

Approaching the question from another standpoint I find that the miscellaneous expenses for 1917 not enumerated in my earlier schedule run slightly above 100 millions. It is practically certain, therefore, that the average annual surplus "profit" for the years 1911-1915 was at least \$200,000,000.

Inasmuch, however, as I have made very large allowances against Agriculture in the analysis of its earnings which will follow, I shall let the former figure of \$260,000,000 stand, feeling confident that although it may be too high in point of fact, the estimated earnings of Canadian Agriculture are also too high, and that the comparison which will follow is, therefore, a fair one.

In connection with the term "raw materials" some confusion of thought may arise by reason of the fact that the "raw material" of one manufacturer is the "finished product" of another manufacturer. For example, one manufacturer smelts the iron ore and produces steel rods, while a second takes these steel rods and works them up into nails, bolts and screws. The "raw material" of the first is ore, coke, etc., and the difference between the cost of these and the value of the finished steel rods goes in labor, depreciation, taxes, interest on investment and "profits." The "finished product" of the first manufacturer becomes in turn the "raw material" of the second manufacturer, and to it are added costs of labor, depreciation, taxes, interest on investment and "profits." The total "profit" in the transformation of iron ore into nails, bolts and screws is therefore independent of the number of manufacturing establishments engaged in the transformation. What is credited to the first manufacturer is debited against the second,

and so on. Therefore if we deduct the total of all costs for "raw material," labor, depreciation, etc., from the total value of all "finished products," we shall get the total "profits" in the manufacturing industries.

The same principles hold with respect to Agriculture, but with this difference: the farmer's raw materials, such as soil, air and sunshine, cost him nothing after we have made allowance for interest on "land values." The cost of other so-called "raw materials," such as buildings, fences, drains, implements, etc., are included either in interest on investment or in depreciation of equipment. We may, therefore, exclude from agriculture the cost of "raw materials," or rather, include it under other separate headings. The farmer is like the miner of iron ore: his "raw materials" are essentially composed of "land values," or natural resources, and what we often term his raw materials are exactly comparable to the smelting furnaces, rolling mills, nail-making machines, etc., used in the transformation of iron ore into nails, bolts and screws. Bearing this in mind we may proceed to examine Agriculture from the standpoint of "Profit and Loss."

In 1911 the capital employed in Canadian Agriculture is given as \$4,231,000,000. During the preceding decade (1901-1911) the increase was 136 per cent., or 13.6 per cent. per annum. Part of this increase is due to a general rise in commodity prices and land

values. Making due allowances, however, for the fact that the rise in the prices of agricultural products was somewhat more rapid than in several other lines, the average capital employed in agriculture for the five years 1911-1915 cannot have been less than \$5,000,000,000. It was probably considerably more. We shall assume that figure however because the value of the farm houses *as dwellings* must be deducted from the total capitalization in order to obtain that capital which was invested in the farming industry for land and equipment. The value of farm buildings and implements was slightly over one billion dollars in 1911. The value of farm houses as dwelling places cannot be over one-third of this, a figure for which I think sufficient allowance has been made already in placing the average capitalization of agriculture at five billions.

The total value of farm products in 1910 (field crops, fruits and vegetables, animals sold or slaughtered, dairy products, wool, eggs and honey), is given as \$722,000,000. Between 1910 and 1914 there was a considerable increase in the quantity and the value of field crops, but very little increase in other lines. The number of live stock was, in fact, slightly reduced, though the value may have increased somewhat. The average annual value of the field crops of Canada for the five years 1910-1914 may be taken as \$550,000,000 (Canada Year Book, 1914, p. 165). The value of other products was

\$338,000,000 in 1910. The average value of these other products for the five years 1910-1914 cannot well be over \$400,000,000. Let us be on the safe side, however, and assume that it was \$450,000,000 per year. On this basis, therefore, we have a grand total of \$1,000,000,000 agricultural production per annum for the five years 1910-1914.

It is scarcely fair to credit agriculture with this much as the value of "finished products," because a large quantity of field crops is fed to live stock and sold in the latter form. Indeed a fairly large amount of vegetable products (hay, oats, etc.), is fed to working horses, and therefore cannot be credited to agriculture at all, any more than the slabs burnt in a saw-mill could be said to constitute a part of that mill's finished product. If, therefore, we add to the total value of field crops the value of the animals which are fed upon a part of those field crops, we shall be counting certain values twice. Or, to put it otherwise: If the farmer feeds his grain he will not have it to sell *as grain*, and the industry must not be credited with the values of such fed grain. The gross farm income is the aggregate of the field crops *sold*, together with the other products (live stock, dairy products, wool, eggs, honey, etc.) either sold, or consumed by the farmer and his family.

Therefore, in justice to agriculture we should deduct from the billion dollar total the value of the field crops fed to farm animals. How much this is

one does not know, but it is not inconsiderable. In some sections it is very great.* There is, however, at least one possible countervailing addition. The farmer and his family get some of their food first-hand, and thus escape the profit tax which is levied upon urban consumers of farm products. This addition is, however, nowadays trifling, for, with the exception of milk, vegetables, fruits and meats, the farmer buys his food products in the city, in the same places and at the same prices as the city dweller. Indeed, a large quantity of both fruit and meat is now bought by farmers in city markets. Therefore, in crediting agriculture with one billion dollars per year, as the value of its "finished product," we are undoubtedly guilty of over-estimation. However, as it is impossible with the information now obtainable, to form any reasonably accurate estimate of the requisite deduction, and as we have omitted certain small items of cost in the manufacturing industries, we shall make no deduction, even though such is unquestionably justifiable.

We must now proceed to deduct from this total the various costs of production. First, labor cost: What is it? In 1910 some \$34,000,000 was paid out as wages to "hired help." Since 1910 it is question-

* This consideration alone is probably almost sufficient to outweigh a number of small "overhead charges," not estimated in the preceding analysis of Canadian manufacturing for the years 1911-1915.

able if there has been much increase, if any, in the number of farm laborers. The rate of wages, however, has risen, so that it is not out of the way to assume that some \$40,000,000 was paid out for farm labor per year during the years 1911-1915. In addition to this labor we must include the labor of the farmer himself and his family. In 1911 there were nearly four million people living on 714,000 farms in Canada. Upon every farm holding the "occupier" himself worked, and to some extent also his wife and children performed a share of the farm work. On some farms the women do a good deal and nearly everywhere a great deal is done by children. On some farms the farmer has a grown up son who performs the work of a hired man, but who is not so classed. He shares the income as partner or otherwise. On some farms there are three or four workers from the family. Now, what is the average number of workers per farm holding, exclusive of those classed as "hired help"? The question is a hard one to answer, and I cannot find any information along this line in the census returns. I feel safe in saying, however, that there are at least two workers per farm; or, otherwise, there are at least 600 days' work per year, on the average, applied to each farm holding in Canada, apart from that labor for which a direct and specified cash wage is paid. How shall this labor be paid? I find that the average wage paid workers in the manufacturing industries

in 1910 was about \$480 a year (Census, 1911). Considering the quantity and quality of the work done on our farms, and demanded by modern farming, it would be grossly unfair to pay those engaged in agriculture less than those engaged in manufacturing, in which a great deal of the work is largely mechanical. They are entitled to better wages. We shall, however, again be on the safe side, and only allow them the *same* wages. Assuming, then, 1,500,000 workers (exclusive of "hired help") on the 714,000 farm holdings, and allowing each worker \$480 per year, the labor cost in agricultural production amounts to \$720,000,000, plus \$40,000,000, or a total of \$760,000,000 per annum.

Deducting labor cost, therefore, from the total value of the annual product, we have a balance of \$240,000,000. But we must make further deductions from this, viz., the interest on capital invested, municipal taxes, and an allowance for depreciation of equipment. Five per cent. on the investment is \$250,000,000, and a municipal tax of one per cent. (almost exactly this figure in Ontario, as I shall show subsequently) makes another \$50,000,000. The value of the farm buildings and implements, in 1911, was somewhat over \$1,000,000,000. Not to speak of fences, and the increased value of equipment since 1911, five per cent. annual depreciation on this investment in equipment makes another \$50,000,000. The sum of these three further deductions is

\$350,000,000, which we must take from our balance of \$240,000,000, leaving a deficit of \$110,000,000.

The situation can be expressed more concisely in the following tabular form:

MANUFACTURING IN CANADA, 1910-1914.

Capital Investment	\$1,500,000,000
Value of Products (annual)	1,400,000,000
Cost of Labor, etc.....	\$1,000,000,000
5 per cent. on Investment.....	75,000,000
1 per cent. Municipal Tax.....	15,000,000
5 per cent. Depreciation	50,000,000
Total Costs	1,140,000,000
Surplus Profit	<u>\$260,000,000</u>

FARMING IN CANADA, 1910-1914.

Capital Investment	\$5,000,000,000
Value of Products (annual)	1,000,000,000
Cost of Labor, etc.....	\$760,000,000
5 per cent. on Investment	250,000,000
1 per cent. Municipal Tax	50,000,000
5 per cent. Depreciation	50,000,000
Total Costs	1,110,000,000
Deficit	<u>\$110,000,000</u>

Now of course, in point of fact, agriculture does not pay out more than it gets in. There need not be any impairment of capital by reason of this deficit. In fact capital may increase and equipment improve. All this is quite possible. The deficit can be met, and more than met, by farmers taking lower wages than those prevailing in other industries, by their working long and hard and living plainly. The writer has done this. His "labor income" has not

been over one-quarter what it might have been elsewhere, but he has managed to increase both capital and equipment.

These considerations, however, in no way alter the facts. One can wipe out the huge surplus "profit" in Canadian "manufacturing" by adding it to the wages of those engaged in the "manufacturing" industries, and can wipe out the deficit in Canadian agriculture by deducting from the wages of those engaged in farming. But the facts are the same, no matter how an accountant might state them. Further, we arrive at the same general conclusion by considering the significant fact that no farmer works wholly on borrowed capital, whereas this is frequently the case in "manufacturing."*

I shall next offer some explanation of this tremendous discrimination by an analysis of our present system of federal taxation with special reference to its incidence upon Canadian agriculture.

*The reader must bear in mind that the foregoing comparison deals with *average* returns. Some farmers did very well during 1910-1914; whereas some "manufacturers" did very poorly. *On the average*, however, farmers as compared with "manufacturers" were doing business at a loss. Some interesting facts bearing upon this question have been disclosed in the two farm surveys carried out in Peel and Oxford counties (Ontario) by the Farm Management Department of the O. A. C. during 1917 and 1918. The territory covered was, of course, relatively small, and the conditions those obtaining in war-time. Nevertheless, as far as they go, the two surveys mentioned have supported the arguments and evidence here adduced.

CHAPTER III

HOW OUR METHODS OF TAXATION AFFECT THIS DISCRIMINATION

The average amount of duties collected per annum for the five years, 1911 to 1915, was about \$92,000,000 (Canada Year Book, 1914, p. 260). Of the total imports about two-thirds were dutiable and one-third free. The average rate of duty on total imports was about 16 per cent. The rate upon dutiable goods was therefore approximately 25 per cent. For the most part the free goods consisted of things not manufactured in Canada. This much might be presumed from the fact that the Canadian Tariff is designedly *protective*: it can be verified by an examination of the various schedules in the tariff. Generally speaking commodities are on the "free list" because they are needed in Canada and are not manufactured here. Of course there are exceptions, notable among which, so far as farmers are concerned, are cream separators and binder twine. However, as has been well said, "the exception proves the rule"; and we may safely assume that the "protective" feature of the tariff is either actually or ostensibly realized in the great majority of cases. I regret that I have been unable to discover

what proportion of Canadian manufactures is unprotected; so far as I am aware there is no definite information on this point. I take it, however, that the proportion is small. One is therefore not far astray when one assumes that Canadian manufacturers are on the average protected actually or ostensibly to the extent of at least 20 per cent.

The reader will notice here my use of the terms *actual* or *ostensible* protection. A tariff on a certain article may or may not give real "protection" to the producer of that article. For example, in the case already referred to, the manufacturer of steel rods may get real protection when his finished product is protected by a tariff while his "raw materials"—so-called—are on the free list, whereas the manufacturer of nails, bolts and screws may find the advantage given him by the tariff on *his* finished product more or less neutralised by the enhanced price he must pay for his "raw materials"—i.e., steel rods. The secretary of the Canadian Council of Agriculture has called attention to many similar cases in an illuminating article published in the *Toronto Daily Star*, Jan. 21, 1919. Just what is the real average tariff discrimination in favor of Canadian manufacturers it is impossible to say. It may be pointed out, however, that "raw material" for the Canadian manufacturer is notoriously "on the free list," and that in this respect there is probably a greater discrimination in favor of the large, well

organized manufacturers than in favor of the smaller industries.

It is also impossible to determine accurately just what enhancement of price to the ultimate consumer is involved in this "protection." I have been told by those who should be competent to express an opinion that, by the time the wholesaler and retailer add their respective "profits" on the tariff tax to the prices of the goods, the price enhancement is 40 per cent. or over. In some lines, I venture to say, the price enhancement is much above this figure; while in other lines it is no doubt lower. In as much, therefore, as the subject is a debatable one, on which one can get nothing more definite than estimates, I shall assume a general average price enhancement due to the Canadian Tariff of 30 per cent. on goods manufactured in Canada. Or, to state the case otherwise: The abolition of all "protection" on Canadian "manufactures" would bring about a reduction of at least 30 per cent. in the average price which the ultimate consumer pays for these "manufactures," provided, of course, that no other concomitant change neutralized the effect of such abolition. This estimate is, I believe, a conservative one, but if it can be shown to be too high I shall be glad to amend it.*

* Some Canadian "manufacturers" are wont to protest that the Tariff does not bring about higher prices to the consumer. Obviously, then, the Tariff does not "protect" them, and they

The next question is: What is the domestic consumption of articles manufactured in Canada? The average production for the five years 1910-1914, as has been shown already, may be taken as \$1,400,000,000 per annum. The value of Canadian manufactures exported during these five years (making allowance for the jump due to munitions) may be taken as \$45,000,000 per annum (Canada Year Book, 1914, p. 262). Allow an exportation of \$50,000,000 per annum, and we have an average annual consumption of \$1,350,000,000 worth of goods manufactured in Canada. With a price enhancement of 30 per cent. there is, therefore, an indirect tax of \$405,000,000 paid by the Canadian consumers to the Canadian "manufacturers." The situation is therefore as follows:

Tax which goes into Federal Treasury.....	\$92,000,000
Tax which goes into the pockets of the protected "manufacturers"	405,000,000
Total tax due to the tariff on Canadian manu- factures	<u>\$497,000,000</u>

will not suffer from its removal. Strange, is it not, that the Canadian Manufacturers Association is now spending thousands of dollars, in flaming newspaper advertisements, to persuade the Canadian people that the Protective Tariff is a good thing? If the Tariff does not enhance prices of manufactured goods to the consumer it certainly cannot be of any use to the "manufacturer" as a "protection." The fallacy of this protest is transparent: it is like the cry of the liquor dealers that Prohibition will lead to increased drinking, and can be taken with more than the proverbial grain of salt.

This tax equals approximately \$60 per capita, or \$300 per annum per family of five. But the tariff tax on manufactured articles falls more heavily upon farmers and their families than upon the average city resident. Both, it is true, have to pay increased prices for clothing, tools, and household equipment, but in addition the farmer has to pay out annually large sums for farm implements, tools, vehicles and machinery, which the average city worker escapes.

I find it impossible, from the official returns, to make any accurate estimate of how much greater is the tariff tax upon agriculture than upon the other industries. Primarily, of course, a large part of the tariff tax is paid on "raw" and "partly manufactured" materials. But this is mostly shifted (if possible) to the next succeeding purchaser, so that finally it comes down to the ultimate consumer. For example, in the case already mentioned, the manufacturer of steel rods adds (when possible) the tariff "protection" (if any) to the selling price of the rods, and the manufacturer of these rods into nails, bolts and screws adds (when possible) this "protection" (a tax to him) to the selling price of his nails, bolts and screws, together with any additional "protection" which he may have. The whole burden in such case falls ultimately upon the user of nails, bolts and

screws. Ultimately, therefore, the tariff tax, whatever it may really be, falls upon all consumers.

Now farmers are, as has been pointed out, large consumers of manufactured articles. Moreover they have as yet no power of shifting the tariff tax elsewhere. They cannot, so long as their prices are fixed in the world's market, add *their* tax to the selling price of their products. They can only affect prices by curtailing production to such an extent that their prices are not fixed in the world's market; and then, in case they have tariff "protection," they can shift their tax to the consumer of farm products. Thus far, however, in Canada, speaking generally,* this has not been done. Farmers have borne the tariff tax. They have not shifted it because they could not. Therefore the burden has fallen more heavily upon them than on many other classes.

There is, further, the indirect tariff tax, which farmers as well as others pay in the increased

* The distinction between truck farmers and producers of staple lines should be borne in mind. A few producers of vegetables, fruit, etc., receive "protection," but the great mass of those who produce grain and live stock products do not receive it. It is, of course, conceivable that farmers might shift, or attempt to shift, their tariff tax by such a complete organization as would control the output, and thus fix prices as have been done in some other industries. Collective bargaining would then come into existence, and organized agriculture might exact a higher price from Canadian consumers than the world market would justify.

cost of the personal services of teacher, preacher, doctor, etc. All these find their cost of living enhanced by the tariff, and, in so far as they are able, they shift this tax to those who employ them, among whom are farmers.

The farmers' reduced purchasing power, on the other hand, has decreased their ability to buy, and this has operated contrariwise. To what extent this has affected the situation it is difficult to say, but, taking everything into consideration, I think it may be fairly maintained that Canadian agriculture bears at least half the total tariff tax.

Assuming this figure, of the total tax of \$497,000,000, agriculture bears one-half, say about \$240,000,000. This is divided between the 714,000 farmers (1911 Census), and amounts to about \$350 per year per rural family. About one-quarter of this goes into the Federal treasury, and the other three-quarters, or approximately \$250 per year, goes into the pockets of the protected manufacturers. The total amount thus diverted from agriculture to manufacturing is, therefore, about \$180,000,000 per annum (for the 714,000 farmers).

Now, if the reader will refer to the preceding chapter, he will find Canadian manufacturing, during 1910-1914, credited with a surplus profit of \$260,000,000 per annum, while Canadian agriculture during the same period faces a deficit of \$110,000,000 per annum. Transfer the \$180,000,000 above men-

tioned, from manufacturing to agriculture, and the situation would then be as follows:

Surplus profit in manufacturing....	\$80,000,000
Surplus profit in agriculture.....	70,000,000

It will be evident, therefore, that the tariff accounts in large measure for the positive discrimination against agriculture, and that Mr. E. C. Drury was under-estimating the real situation when he stated to the Government in 1911 "That the present tariff costs every farmer in this country \$200 a year for which he gets no returns."

In the next chapter we shall consider other economic discriminations against Canadian Agriculture.

CHAPTER IV

LAND GAMBLING AND ITS EFFECTS UPON CANADIAN AGRICULTURE

The stimulation of Agricultural Production will depend upon conditions making the farming industry more profitable.

Now one of the inevitable expenses which every farmer must meet is the cost of his land. Other things being equal, the cheaper the land the greater the profit, and *vice versa*. Unquestionably this largely explains the tremendous attraction of the Canadian West. And yet even in that new country the cost of getting land has been enormously increased by speculators. F. J. Dixon, M.L.A. for Centre Winnipeg, speaking before the Convention of the Saskatchewan Grain Growers' Association, in Saskatoon, on February 15th, 1916, stated that out of the one hundred and fifty million acres of arable land in the three prairie provinces one hundred million acres was already in the hands of speculators, only thirty million acres in the hands of the Government, and only twenty million acres in the hands of those living upon and working their land. I have no means of verifying these figures. To the extent that they are accurate, however, they reveal a most alarming condition of affairs, the iniquity of

which will be more fully shown in the sequel. Now, however, let us see how it affects agricultural production in the Canadian West.

In the first place this condition drives settlers away back from the railways in order to get cheap land; otherwise they must pay a heavy toll to the absentee owners for the privilege of getting land conveniently located. Thus sparse settlement is rendered almost inevitable. Many evils spring from this condition. Farmers have to incur heavy expenses for teaming out their produce and bringing back their supplies. Road building is made very difficult. Farmers' children are deprived of proper educational facilities, and wholesome social intercourse is almost banned. Men, women, and children, and especially women, suffer, and often die, from lack of proper medical attention. All these and other similar evils arise out of the fact that the land is owned by non-users; and all of them either make the farmer's financial returns positively smaller, or make his own and his family's life measurably poorer in those things which make life worth living. The dreariness incidental to life on the prairies is thereby seriously aggravated.

Taken altogether, these evil conditions decrease the rewards of labor and capital applied to Canadian agriculture, and thus curtail production.*

* Further, there may be attributed to this cause a goodly share of our present railway problem. Why have we two

How can matters be remedied? The answer is given in part by the Provinces of Alberta and Saskatchewan. In 1914 the Alberta Legislature passed an Act to tax wild land, and collected \$700,000 revenue from this source in one year. Saskatchewan followed suit in 1915. This tax not only increased the positive rewards of the users of Western land, but made it increasingly difficult for anyone to withhold land from cultivation. Thus it had the effect of assisting those wanting land to get it cheaply. Whether or not this tax will put a stop to land speculation one cannot say, but one *can* say that just as soon as the tax on land withheld from use equals the estimated "unearned increment," then the speculator *must* sell. And he cannot sell to another speculator; he must sell to a user, or have his land revert to the State. By suitable taxation, therefore, society can easily kill speculation in

bankrupt railways on our hands? Because, as Sir George Paish said in the passage already quoted, we have three times as much railway development as the condition of our primary industries demands. And the failure of Canadian farmers to provide traffic for our railways is in good part due to the pernicious practice of land gambling, in which, if the truth were known, certain railway companies and prominent politicians have not been the least sinners. Greed is notoriously short-sighted, but it is almost incredible that those in authority should have been blind to the inevitable consequences of foolish or pernicious public policies, consequences which the organized farmers of Canada have predicted for years past. The logic of events has made effective answer to a foolish optimism.

land with all its consequent evils. provided, of course, that there are no stout offenders of whom the Government is afraid.

There are other kinds of "speculation," however, whose character is less easily discernible, and whose control is much more difficult. I refer to the purchase and storage of various commodities against a time of scarcity. He who buys eggs or fruit in a time of plenty and puts them in cold storage in order that he may sell in a time of need may charge more for his services than they are really worth. But unquestionably he performs a real service for which he is entitled to compensation. Similarly those who "speculate" in the buying and selling of grain are not wholly useless. Many other kinds of so-called "speculation" do perform certain useful functions; and all of these are evil only when, through lack of proper control, they result in monopoly and exploitation. The purchase and storage of wheat at \$1.50 per bushel and its subsequent sale at \$3.00 per bushel may be a huge evil, and result in untold misery; but at the same time it is quite possible that the seizure and forced sale of such wheat at a certain arbitrary valuation might ultimately do much more harm than good. A farmer who holds his wheat for better prices, may, in a sense, be said to "speculate in wheat," and it is difficult to draw the line between such action and that of an elevator-owner who buys wheat when it is

cheap, holds it in storage, and sells when it is dear. The moral character of such transactions, as well as their social utility, depend upon conditions which may vary; and, as has been well said, "Circumstances alter cases." The whole question is one of extreme complexity; and any interference with the fundamental laws of trade and commerce should be undertaken only after mature consideration. The State would be quite justified in preventing any man or group of men from "cornering" an entire season's crop and "holding up," under threat of starvation, the whole community. But under ordinary conditions, it certainly would not be justified in forcing producers to sell at certain dates or at certain arbitrary valuations. In times of emergency, of course, such as during the late war, it is quite conceivable that the State might properly adopt such a course, where the public interest demanded it and public reason sanctioned it.

Speculation in land, however, is a much simpler question, and can be dealt with much more easily. The man who buys land and "holds it for a rise in value" performs absolutely no useful function. Of course, in so far as he "improves" his land, he is entitled to compensation; but when he merely holds it, and and awaits the time when the labors of neighboring land users shall have made it more valuable, his conduct is not only useless but is positively pernicious. Therefore, as has been said

already, speculation in land can and should be definitely and effectively dealt with by legislation.

The Western farmer is not the only one who suffers from land gambling. The Eastern farmer also suffers. In the past he has suffered heavily, just as the Western farmers have suffered in recent years. The early history of rural development in Upper Canada was blackened by the "dog-in-the-manger" practices of "land companies," and by reservations similar to the "Railway Lands" in the West. Moreover, he still suffers directly, though in minor degree, in exactly the same way as the Western farmer. He also suffers indirectly through the tremendous urban rents which constitute a toll upon all agricultural business passing through our cities. For example, take the case of a tenant who runs a city restaurant. This man's expenses will be divided into three classes. First, rent; second, the cost of labor and equipment; and third, the cost of food supplies. His revenue will be the money derived from his customers' meal tickets. Now any increase in the item *rent* must be met either by an increase in the price of meals or by a decrease in the cost of labor, equipment or supplies. If, therefore, the restaurant keeper does not increase the price of his meals, or contrive to serve less food for the same money—which amounts to the same thing—he must decrease the cost of his labor, equipment or supplies. Now the cost of labor and equipment

is enhanced by the same influences that press upon the restaurant keeper. The latter is therefore reduced to the alternative of either charging more for his meals or paying less for his supplies. Similarly the butcher who furnishes the meat, the commission dealer who furnishes the eggs, butter or fruit, the miller who furnishes the flour, and all others who sell commodities to the restaurant keeper are forced to provide for high rents by lower prices to the farmer for food products or higher prices to the restaurant keeper to whom they sell. Increase in *rent*, therefore, results either in an increase in the cost of living in the city or in lower prices to the suppliers of food products—that is to the farmers. Trace any food product from farm to city consumer's table, through the hands of at least two or three dealers all of whom have to provide for the item *rent*, and we can see very plainly how the burden of high city rents is largely shifted to the farmer.

Agriculture is not only injuriously affected *directly* in the manner outlined above; it is also affected *indirectly*, and often injuriously, through the increase in the cost of living in the city. The farmer does not always benefit by "*the high cost of living.*" In the fall and winter of 1914, thousands of Ontario city residents "could not afford" to eat apples, whereas thousands of barrels of good apples were rotting in Ontario orchards. Had it been

possible to convey these apples from producer to consumer with less expense, both would have profited—the grower as well as the eater. But, owing to lack of forethought and system in marketing, and the inevitable expenses for handling apples in our cities, the producer got nothing *for* the crop and the consumer got nothing *of* it. And high city rents operated, not only to increase the cost of handling apples, but also to decrease the purchasing power of those city residents who would gladly have bought if they could have afforded to buy. One may hesitate to pay \$6.00 for one barrel of apples, and at the same time be glad to pay \$12.00 for three barrels; and it may therefore well be that the curtailment of the cities' purchasing power, through exorbitant rents, involves considerable loss to the farmer.*

A large proportion of the business done in the city is concerned with farm products, and it is therefore apparent that speculative increases in city land values—which have been at times so marked—involve a heavy burden upon all farmers whose products are marketed in the city.

* In February, 1914, No. 2 Spy Apples were selling in Toronto at 30c. a dozen, when ordinary sense in dealing with the market situation should have insured a price of 30c. a basket. It is safe to say that at present, in most of our large cities, only one barrel of apples is used where, with a reasonable expense in transporting apples from orchard to city cellar, three barrels of apples would be used.

Putting the case briefly, in general terms, one may say that the evil of land speculation creates a class of industrial parasites who must be supported at the public expense; and that the farmer's earnings are largely drawn upon to support these parasites. To adapt a figure familiar in another connection, the weary Titan of Canadian Agriculture staggers under the too vast orb of its Fate. The food shortage which causes such consternation at the present time is probably due, not more to conditions arising from the war, than to the folly and greed of a generation.

The Secretary of the Canadian Council of Agriculture, in the article already referred to (*Toronto Daily Star*, Jan. 21, 1919), clearly and forcibly states the case as follows:

"Canada has a land area of three and a half millions of square miles with a population of eight millions. That is less than one person per square mile. Included in this area are hundreds of millions of acres of unused arable land fit to produce food, huge deposits of mineral wealth awaiting development, large tracts of valuable forests, and an immense latent wealth in her salt and fresh water fisheries. In addition nature endowed Canada with a system of water power to facilitate the development of her resources, such as no other country possesses. With so much natural wealth entrusted to her for develop-

ment, for the use of her people, it would seem a sound national policy to bend every energy to utilize those natural resources and to remove any obstacle, natural or artificial, that might be a hindrance in accomplishing that purpose. Nature has treated us bounteously, has given us a heritage that few countries possess. Can we be justly accused of overlooking and neglecting the bounties of nature while wasting our energies in trying to build a nation by methods which are out of accord with the provisions made by and the intent of the Creator who destined this huge territory to be the habitation of a virile and progressive race of people? One would naturally think the populating and settling of these vast agricultural lands so as to make them productive; the developing of the resources of the mines, forests and fisheries to make this huge reservoir of latent wealth a liquid asset available for the use and needs of the people, would receive the first consideration of our Government.

“The contrary, however, is what happened. Some forty years ago the Canadian Government inaugurated a national policy which had for its avowed purpose not the development of these bounties of nature, but the building up of centres of population by establishing manufacturing industries under the guise of giving employment to labor and affording markets for agricultural products. They attempted to obtain that ideal by surrounding the country with

a tariff wall against imports of the necessary material and tools of production for exploiting the natural resources, thus creating an excessive overhead charge on all industries having to do with the development of our mines, forests and fisheries, as well as all production of wealth from our agricultural lands. This creation of an abnormal overhead charge absolutely interfered with the conversion of those natural resources into liquid assets. In other words, the tribute which natural industries were made to pay the manufacturing industries in urban centres made the development of our natural resources so unprofitable and unproductive that the people who had been brought into the country at great expense to the Government were forced into urban centres where living was made more attractive for them."

And he proceeds to submit evidence showing the blighting effects of our misguided policy not only upon our primary industries but even now upon manufacturing itself. Nothing can be more foolish and dangerous than to cling to a vicious system and to continue to build on the sand.

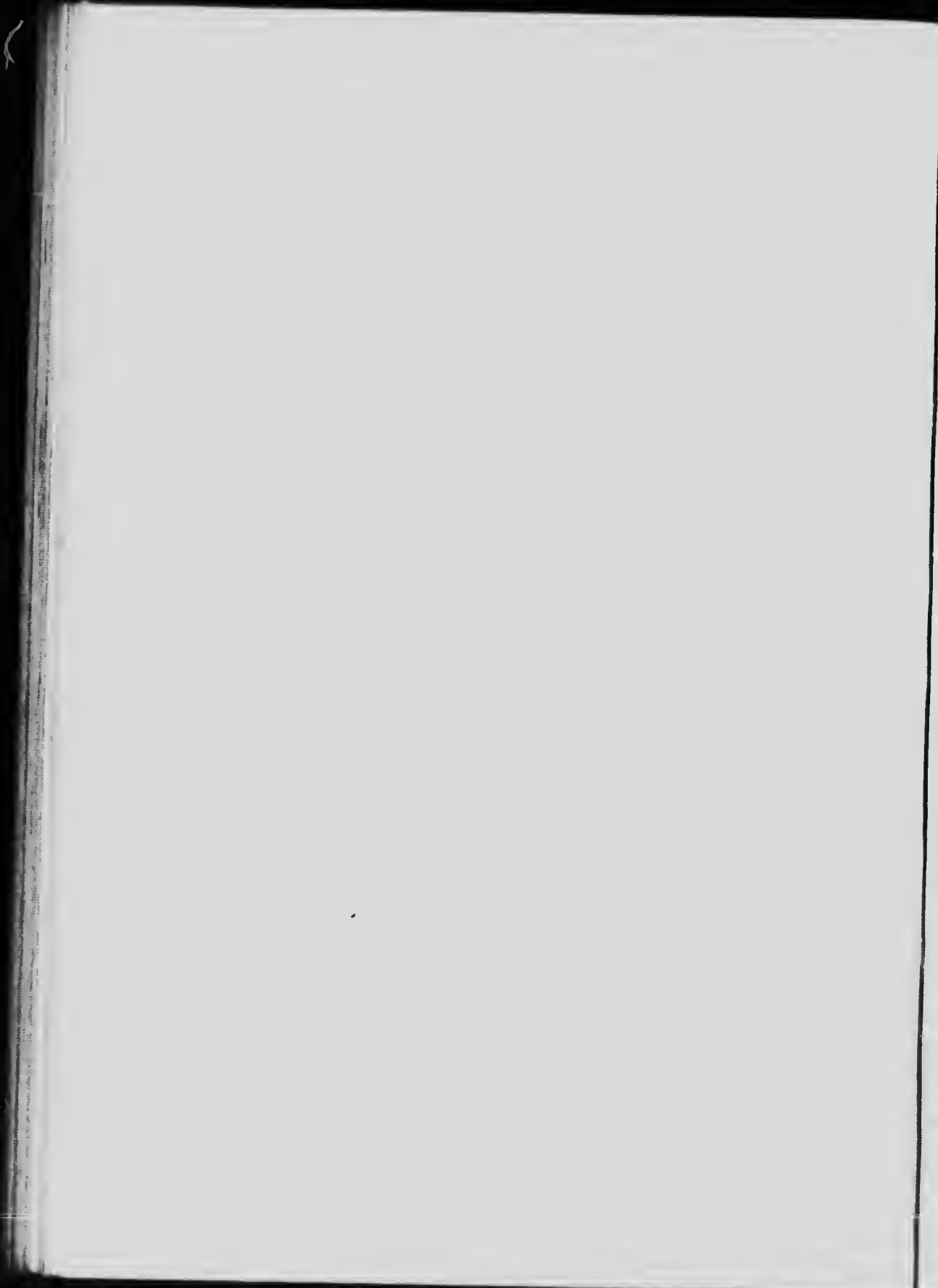
PART II
THE PROBLEM OF DISTRIBUTION

"For natural law is not all comprehended in what we call physical law. Besides the laws of nature which relate to matter and energy, there are also laws of nature that relate to spirit, thought and will. And should we treat the present products of farm or mine or mill or factory as we may treat the products of a dead civilization, we shall feel the remonstrance of an immutable law of nature wherever we come in conflict with the moral law. . . . As to pierce the heart and divert the blood that has been produced from the natural course of its distribution is to bring about the death of the physical organism most swiftly and certainly, so to interfere with the natural laws of the distribution of wealth is to bring about a like death of the social organism. If we seek for the reason of ruined cities and dead civilizations we shall find it in this."

—*Henry George.*

"The world is not to be cheated of a grain; not so much as a breath of its air can be drawn surreptitiously. For every piece of wise work done, so much life is granted; for every piece of foolish work, nothing; for every piece of wicked work, so much death is allotted. This is as sure as the courses of day and night."

—*John Ruskin.*



CHAPTER I

RICH AND POOR

The desire for wealth, in the proper sense of the term, is entirely legitimate. It stimulates man's efforts to extend his control over nature, and results in the subjection of the Earth to the higher powers of mankind. But, in the pursuit of wealth, different persons succeed in varying degrees, and consequently we meet that universal contrast which is expressed by the terms *Rich* and *Poor*. Now in our study of "The Problem of Distribution," we shall find it useful to examine carefully the meanings which are, by popular usage, attached to these terms, and for the sake of clearness in argument, to define them in a special, technical and somewhat arbitrary way.

In popular thinking there is no clear definition of *rich* and *poor*. Speaking loosely the rich man is he who possesses much wealth, or much power to command the services of others; and the poor man is he who possesses little of these. But where is the line of division between *rich* and *poor*? Is it the average standard of living in the particular grade of society under consideration? Is that man *rich* who possesses more than the average, and that man *poor*

who possesses less? Is he *rich* who, by intelligence, hard work and thrift, has become possessor of a good farm, a comfortable home, and a competence for old age; and is he *poor* who, by ignorance, idleness and thriftlessness, lives from day to day on the verge of starvation? If this be so there is no reason for condemning the rich, no justification for that suspicion with which man's moral sense regards "*rich men*." It cannot be that this is a proper scientific distinction. Acceptance of it would lead to utter confusion. The great differences between men's efficiency and productivity would be completely ignored. Moreover, the same man would be styled *rich* or *poor* according to when and where he lived. Cedric the Saxon, *rich* in his day and generation, would be very *poor* among New York's millionaires. There must be some other, and radically different, line of demarcation, which will enable us to distinguish, with scientific precision, between *rich* and *poor*; a distinction which can be applied to all men, in all times and at all places, and which will harmonize the demands of logic and of the moral sense. What is this distinction?

All things which satisfy human desire, to which monetary values can be attached, can be divided into two classes: wealth and direct personal services. These two are, however, fundamentally one, since all wealth is valuable because it represents human effort, and is thus indirectly personal service. There-

fore, all things which are sought by man, in so far as Political Economy is concerned, may be resolved into the same thing,—service.*

Now the question arises: Is there a mean or normal measure of just possession or enjoyment of service? There is. A member of human society is justly entitled to receive from society the equivalent of what he gives to society. He is entitled to get as much as he gives: service rendered and service commanded should be equal.

Here, then, is a scientific distinction between *rich* and *poor*. He is *rich* who can command more service than he need render; he is *poor* who can command less. All contribute more or less service to the

* We must exclude, of course, such things as spiritual perfection, æsthetic and intellectual pleasure, etc., which are legitimate objects of desire, but are not properly measurable by the same standards of value as are those other objects of desire, with which Political Economy deals—such things, namely, as food and raiment, and the services of doctor, lawyer, and teacher. Different kinds of value, it is true, shade into one another. For example, the inspiration one may get from a powerful sermon is, in a sense, paid for with money, but cannot be measured in such terms. Similarly the pleasure one may secure from the works of a master artist are both measured and immeasurable. Service rendered by others to us may be above price. Generally speaking, however, in human affairs, we attempt, in some rough way, to estimate the values of various services and to express these in monetary terms; and it is with these estimates rather than with the essential values of the services concerned, that we must here necessarily deal.

social fund, either directly or indirectly, and all make demands upon that fund. The *rich* man, in the sense in which we have here defined the terms, gets more than he gives; the *poor* man gives more than he gets. Thus viewed *rich* and *poor* stand in the same relationship to one another as *positive* and *negative*; the existence of *rich* men necessarily involves the existence of *poor* men, and *vice versa*. Viewed from the standpoint of ethics it may be fairly said that the *rich* are the robbers and the *poor* are the robbed.

Now of course such a definition of *rich* and *poor* does not accord with popular usage. So defined the terms have a much narrower, much clearer, and much more precise significance than they do in current usage. Doubtless there are disadvantages in so defining them. For example, it would be very difficult to use the terms as frequently, as loosely, and as thoughtlessly as we often do; indeed they would have to be used with great caution. On the other hand certain advantages are apparent. Many existing confusions in thought would be dissipated, and the distinction involved would be universally applicable. It would prevent us from unjustly condemning him who may possess more wealth than the average, and from unjustly exonerating him who may possess less. It would create a radically different and scientific basis for classification. It would reconcile reason and conscience. Thus defined the

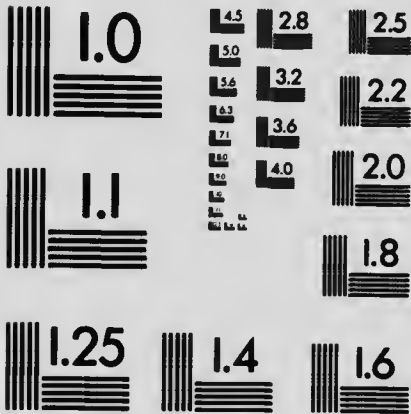
statement that "it is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of heaven," would seem to be, not figurative, but scientifically accurate. In the kingdom of righteousness there cannot be either *rich or poor*.

We shall, therefore, for the purpose of the present discussion, use these terms as above defined.



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CHAPTER II

NATURE OF THE PROBLEM AND METHODS OF INVESTIGATION

In the last chapter the terms *rich* and *poor* have been so defined as to prevent confusion of thought, and afford us a basis for accurate classification. Thus defined the line of division between *rich* and *poor* is that determined by the equilibrium between service commanded and service rendered. He is *rich* who can command more service than he need render; he is *poor* who can command less.*

The question next arises: Is there any possible way of determining this line of division in the actual affairs of our exceedingly complicated social and industrial life? Is there any way of even approximating to it? Shall we give up as hopeless the task of specifying who are *rich* and who are *poor*? Shall we abandon the effort to discover or recognize the point of equilibrium between service commanded and service rendered? Is the problem one of such intricacy as to entirely baffle man's powers of

* The question may arise here as to how one should classify those suffering from physical or mental disability, such as cripples, maniacs or idiots. Such persons are obviously not generally industrial units, and in so far as they are not, they are not subject to the foregoing classification. The distinction drawn between *rich* and *poor* applies only to normal industrial society.

thought? If so, the outlook is dark. We shall continue as now, with little or no discernment of vital distinctions. We shall fail to curb immoral exploitation because we fail to recognize it. We shall suffer because we decline to think.

Personally, I do not admit that the problem is insoluble. I believe we can at least approximate to a solution.

But we cannot find a solution by first entering the industrial jungle and then trying to map out its intricate mazes. Life is too complicated. We must attack the problem otherwise. As he who would explore an extensive valley first betakes himself to a neighboring mountain top to get a bird's-eye view, so must we who endeavor to explore the social jungle first survey the situation from afar, in the eternal light, to get a true perspective. We must withdraw for observation, and study the situation first in its most general outlines. We must discover the essential factors in their primitive simplicity. We must discern the fundamental social "Law of Gravitation" in its more important manifestations. We must divine some fundamental plan or principle in the whole. Then, and only then, may we with safety enter for detailed exploration.

The problem is essentially that of discovering the principle of the just distribution of wealth. By *Distribution* is not meant *Transportation* or *Exchange*. These latter activities are essentially a

part of *Production*. To transport wheat from barn to mill is essentially the same as to transport wheat from field to barn. Similarly to transport fish from sea to shop is, properly, the *Production* of wealth, just as valuable as the manufacture of logs into household furniture. Change of *place* is just as important as change of *form*; and both are inextricably bound up with one another. Both are properly styled *Production*. We often speak carelessly of the distribution of wealth, when we have in mind such a thing as the shipping of apples from the orchard to the city dealer, or the peddling of milk about the city streets; but *Distribution* as properly used in Political Economy has no such meaning.

So it is with *Exchange*. *Exchange* is also a method of *Production*. It is a necessary consequence of the division of labor and the differentiation of industrial functions, without which nothing but the most primitive methods of production are possible. Wealth is not "distributed" in the politico-economic sense, by *Exchange*, though by it commodities are exchanged between individuals. The exchange of commodities, however, is one way—in fact the only way—of advancing production beyond its most rudimentary stage. *Exchange*, therefore, is a method of *Production*.

Distribution is used in the sense of sharing. What is produced by men working together in society must be divided. In this sense all wealth must

somehow, somewhere, find its way to the "ultimate consumer," and in considering the *shares* of the "ultimate consumers" we are considering the "*Distribution of Wealth.*"

The problem of *Distribution* did not concern Robinson Crusoe, for all the wealth produced by his own unaided efforts justly belonged to him. But just as soon as he had a partner the problem of distribution faced him: how were they to divide what they produced by their joint efforts? With a simple industrial organization the problem is comparatively an easy one; but when our industrial life becomes complicated the problem increases in difficulty. Yet we must solve it: we must at least try. We must try to find out some way of ensuring to all a just equivalent for service rendered, some way of getting as much as we earn, but no more. Ethically the obligation is imperative.

As has been already pointed out, we cannot first study the problem of *Distribution* from within our complicated industrial life. We must first view it from a distance. We must first study it in its simplest form, and then gradually trace it through conditions growing ever more complicated. For this reason I propose to start first with a modern Robinson Crusoe, a squatter on the frontier of civilization, say in our own Northwest, and from that point to trace the origin, growth and nature of the problem of *Distribution*.

CHAPTER III

GROUND RENT IN ITS RELATION TO THE PROBLEM

Consider the case of a man who seeks a home for himself on the frontier of civilization. He will obviously select a spot which, all things considered, seems to him most suitable. Here he will establish his home and apply his labor to the raw material about him so as to gain a livelihood for himself and his family. He will have no rent to pay because the land is free. Therefore, making due allowance for any capital which he may have brought with him in the shape of tools, etc., he alone will get the full product of his labor, and there will be no problem of *Distribution*.

Now, suppose that a second settler comes along. His range of choice is limited by the fact that the most favorable land or location has been already chosen. He will, therefore, choose the next best location, having in mind the desirability of living near the first settler. It will now be mutually advantageous for these two men to co-operate, both by the combination of effort and by the division of labor. Exchange will spring into being, and difficult tasks will be undertaken by the two working

together. In many ways the total product of the two men working together in this simplest of communities will exceed the sum of what each would have produced if working independently. Each has evidently increased the efficiency of the other's labor. To a certain extent what has been produced, has been produced socially, or jointly; and, as this must be shared, the problem of *Distribution* arises in its simplest form. How is it to be met? Consider this question: What advantage has one man over the other that is not dependent upon personal intelligence, skill or industry? In the answer to this question is to be found the key to the solution. What is the answer? Obviously this: The only advantage which the one possesses over the other is that derived from the superiority of the first location. This aside, each is free to reap the full reward of his own labor, mutually increased by the possibilities of co-operative effort. Therefore, if the advantage which the first location possesses over the second is equally divided, the two workers will be placed upon an equality with respect to getting a just return for their labors—that is, neither will be *rich* or *poor*.

The significance of this will be seen more clearly if we follow our imaginative experiment a little farther. Suppose that a third settler next comes along. He will have to take third choice. He will take the best land available, with due regard to the importance of being reasonably near his neighbors.

The addition of a third man to the community will add still more to the efficiency of the labor of all, because it will permit a certain amount of specialization, the advantage of which will be equally shared by *Exchange*.* But, though the total product is now more than three times what the product of each would have been, if he had worked independently of the others, the difference between the reward of labor on the first location and an equal quantity and quality of labor on the third location becomes quite appreciable. It is represented by what the third man would give the first man if he could get first choice instead of having to take third. In the terminology of Political Economy it is called *Rent*, or *Ground Rent*. It must be carefully distinguished from rent in popular useage, which includes both rent of ground, and interest on capital, as, for example, when one rents a house and lot.

Now, let us carry the inquiry further still. What will happen when several more settlers come? The addition of each worker will, in ways which are familiar to us all, increase the average efficiency of labor in the community. To that extent all will be benefited by the growth of the industrial organism. But, though all may benefit, all do not benefit equally. Those first upon the scene benefit disproportionately, to an extent represented by the *Rent*

* See Part II, Chapter VI.

which their holdings can command. *Rent* is thus seen to depend, not upon the labor of the possessor, but upon the competition for land, which becomes keener as the community grows in size and as the efficiency of labor is increased by industrial organization. Its magnitude is determined according to the well-known law of supply and demand.

Carry the enquiry further yet. The continued growth of the community will, by and by, render necessary a store, a post office, a school, a church, a blacksmith shop, etc., together with that industrial specialization which these involve. By and by a railway may reach the little community centre and add still more to its advantages. All these advantages benefit every member of the community; but they do not benefit all equally. There is a growing disparity between the benefit conferred upon those near the community centre and that conferred upon those farthest away. For example, consider the advantage which is possessed by the wheat grower who has but one mile to haul his wheat to the railway station over the man who has to haul his wheat fifteen miles. Consider also other similar advantages of proximity to school and church, store and blacksmith shop, etc. The sum total of all these advantages is measured by the *Ground Rent*. It renders labor applied at one place more effective than labor applied at another, and to this extent the just rewarding of labor may be prevented.

Now we set out to solve the problem of just *Distribution*, that is, of determining what conditions will ensure to each worker as much as he justly earns, but no more. And we have arrived at a point where we see that the advantages of location may operate to prevent a just distribution. The problem of *Rent* arises as a disturbing factor. Now we have traced the origin and growth of *Rent* and have discerned its nature and effects. We must, therefore, at this point digress briefly in order to clear up this matter.

CHAPTER IV

FACTORS IN PRODUCTION AND CORRESPONDING SHARES IN DISTRIBUTION

Hitherto, in our study of the problem of *Distribution*, we have been considering the question of how to divide justly between the members of society the wealth which they co-operate to produce, that is, of establishing a social condition in which there are neither *rich* nor *poor*.

Our minds have been centred upon the human units as factors in production. But there is another class of factors in production, whose consideration at this point will greatly simplify our task: I refer to the factors of *Land*, *Labor* and *Capital*.

By *Land* is meant the earth, and all its resources, both of matter and energy—all natural resources of land, air and sea, and such forces as gravitation, chemical affinity, electricity, etc. Land was here before man came and will remain when he is gone. "The earth is the Lord's and the fulness thereof."

By *Labor* is meant those human forces of muscle and mind which are directed by the human will towards the satisfaction of human desire. *Labor* applied to *Land* produces wealth—sows and reaps the grain, fells the forests, digs into the bowels of the earth for coal, or scours the seas. The two factors *Land* and *Labor* are fundamental in the production of all wealth. *Land* is the passive factor,

and *Labor* is the active factor. There is, however, another factor in the production of wealth which is of great importance. But it is a secondary factor. It is *Capital*.

By *Capital* is meant all those products of labor, such as tools, implements, machinery, buildings, etc., which are produced not for the direct satisfaction of human desire, but in order to assist in the production of those things which minister directly to human wants. For example, a plow ministers indirectly to human desire by assisting in the production of grain for food. Without *Capital* man's powers are greatly limited; our best efforts could bring forth little, if they were unassisted by tools. *Capital* is, therefore, the third factor in production. It is a factor of great importance but is secondary in its nature, since it is produced by the conjunction of the two prime factors, *Land* and *Labor*.

Now, since these three factors of *Land*, *Labor* and *Capital* co-operate in the production of wealth, it is logical that the product should be divided into three corresponding shares: the share of *Land* which is called *Rent*, the share of *Labor* which is called *Wages*, and the share of *Capital* which is called *Interest*. We have already traced the origin and growth of *Rent*. We have seen that it does not depend upon the efforts of any one individual or any one class of individuals; but that it depends upon the activities and necessities of the community;

resulting in a competition for *Land*. It is, therefore, the share which the *Land* may properly claim as a necessary factor in all production. *Wages* are, by universal consent, the proper share of *Labor*. But it may not be so obvious at first, that *Interest* is the just share of *Capital*. Let us examine this latter point a little.

The added efficiency which the use of *Capital* gives to *Labor* under given conditions, is a definite thing. But it can only be determined approximately in practice by averaging the various estimates of those producing and of those wanting *Capital*, acting and reacting upon one another through the law of supply and demand. For example, if I as a farmer pay more for the use of the labor stored up in a grain binder than the same labor will produce in using this grain binder, labor will naturally be diverted from the use of binders into the manufacture of binders, because it will thereby reap a greater reward. Therefore, the supply of binders will increase in relation to the demand, and the price will fall—assuming, of course, no interference with the operation of the law of supply and demand—until an equilibrium has been restored. Thus, whether *Labor* will be stored as *Capital* or applied to produce commodities for immediate consumption, depends upon the returns which it will respectively get in these two directions. Further, the way in which it will be applied in either direction will also

depend upon the returns received. In actual practice and with no artificial interference, the direction of human *Labor* into the production of *Capital* responds most readily and accurately to the law of supply and demand. Where *Capital* is scarce and the demand strong, the price of *Capital*—its share, which we call *Interest*—will be relatively large, and there will be a strong tendency for *Labor* to be stored as *Capital*. On the other hand, where *Capital* is plentiful and the demand for it weak, its share will decline, and *Labor* will cease to be stored as *Capital*. In all cases the operations of supply and demand will, if not interfered with, ensure to *Capital* approximately its just share, and this share we call *Interest*. *Interest* is, in fact, the *Wages of stored up Labor*, for just as there are only two prime factors in the production of wealth, so there are only two necessary parts into which the wealth produced must be divided, those, namely, of *Rent* and *Wages*. The following diagram may express this more concisely:

Factors in Production are—*	{	<i>Land</i> and <i>Labor</i> (includ- ing <i>Capital</i>)	These two factors co-operate to produce wealth, which is divid- ed into two cor- r e s p o n d - ing shares—	{	<i>Rent</i> —the share of <i>Land</i> —and <i>Wages</i> (includ- ing <i>Interest</i>) —the share of <i>Labor</i> (includ- ing <i>Capital</i>).
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* It is considered proper by many modern economists to divide the wealth produced into *four* shares: *Rent* the share of

Land, Interest the share of *Capital*, *Wages* the share of *Labor*, and "*Profits*" the share of "*Management*." For purposes of convenience, in discussing that type of industry which has become conspicuous in nineteenth century civilization, such a classification may be permissible. It seems to the writer, however, that it is illogical, and that its use cannot but lead to confusion of thought. "*Management*" is mental labor, which cannot be divorced from manual labor and which is entitled to "*wages*." There is no valid reason, therefore, why the share of "*management*" should not be included under the term *wages*; and, indeed, it is often so included, for "*salaries*" are not logically distinguishable from "*wages*."

And, if "*profits*" be considered that portion which justly goes to the "*entrepreneur*"—the enterpriser—for the *risk* he runs in venturing upon untrodden ground, can it not be justly said that risks of all kinds are constantly incurred? The banks take risks in loaning money to industrial enterprises, and sometimes lose heavily. Wage earners run risks of unemployment or sickness. The farmer runs many risks from storm, drought, fire, etc. There are risks in everything. Some classes of risks are covered by "*Insurance*"; and some are not. No one suggests that "*profits*" should cover risks already covered by "*Insurance*"; and if, in practice, "*profits*" are claimed to cover certain risks not insurable, it is not fair to claim "*profits*" as a compensation for all risks. In the case of "*risky*" businesses, where no scheme of insurance has as yet been devised, the enterpriser is entitled to something which, if the special risk had been appraised, he would have paid out for insurance, but this something should not be called "*profits*," and certainly has nothing to do with "*management*." In the aggregate, industrial misfortunes reduce the amount of wealth actually produced, and therefore the question of risk should not enter into the question of *Distribution*. It is the writer's opinion, therefore, that the *distribution* of wealth into four shares is illogical and confusing.

Now, in so far as the functions of landowner, capitalist and laborer co-exist in the same individual, the problem of distribution is one of merely theoretic interest, one which the individual in question may solve for his own delectation. But when these functions become separated, in part or in whole, then questions of great practical importance arise, which we shall consider next.

CHAPTER V

THE "LAND'S SHARE"—TO WHOM DOES IT BELONG AND FOR WHAT SHOULD IT BE USED?

In the last chapter we discussed the *Distribution of Wealth* between the three factors in production, or rather between the two factors *Land* and *Labor*, for *Capital* is a secondary factor, not a primary one. And we designated the shares of *Land* and *Labor* by the terms *Rent* and *Wages* respectively. A just distribution therefore involves the giving of *Rent* to *Land*, and the giving of *Wages* (including *Interest*) to *Labor* (including *Capital*).

Now we all understand what we mean when we talk of giving wages to the laborer for his labor and interest to the capitalist for his capital. But what do we mean by assigning *Rent* to *Land*? *Land* is impersonal. It has no needs. It makes no claims. It demands no share of the wealth which man produces.

Let us turn again to a consideration of the simple community in which we traced the origin and growth of *Rent*. We saw there that the only way in which we could insure to all a just return for their labor was to withdraw from each unit that advantage which priority of occupation or special location conferred upon him. This done each unit

has the same opportunities as any other unit, and his reward will be in proportion to his intelligence, skill and industry. The *Rent* must, therefore, be withdrawn from each industrial unit, in order that all may have equal opportunities. But if this is done who shall use the *Land's Share*, and how? A little consideration will show that if it is thrown into a common fund, to be shared by all alike, justice will be done. This, then, is what is meant by the *Land's Share*. As the *Land* has been given to the children of men for their use, and as the exclusive ownership of it by any individual or class of individuals is not only ethically wrong, but fundamentally absurd,* so the appropriation of *Rent* by any individual or class of individuals is also ethically wrong and fundamentally absurd. Being created by the demand for *Land* it belongs jointly to those who have created it, and must, if justice is to be done, be shared by all.

Now let us trace out some of the consequences if this fundamental demand of justice be not done, and then some of the consequences if it be done.

If *Rent* is not socialised we observe that the difference between the value of the land first occu-

* If it is right for some to have exclusive ownership of land, while others have not, then it may be right for one man to "own the Earth." All but this one man will then live only by sufferance. The absurdity of "exclusive ownership" is therefore apparent.

ped—or, it may be, nearest the community centre—and that on the margin of settlement, becomes greater and greater, and is appropriated by the individual holder of the land in question. If this individual holder still continues to occupy and use his land the reward of his labor will be unduly enhanced by his favorable location. On the other hand, if he sells, he can pocket the capitalized *Rent*; and if he rents he can likewise receive a regular income though no service is being rendered. This advantage may ultimately become so great as to enable its possessor to cease working and to enjoy a share of the social product without contributing thereto. We have all seen thus the growth of a class of social parasites who reap where they have not sown, and therefore necessarily prevent others from reaping where they have sown. The development of our own Northwest contains many striking examples, as does also that of our large cities. In such cases Idleness is rewarded by eating the bread of Industry—a condition that leads to wholesale corruption and social degeneration. If, on the other hand, the fundamental demand of justice be obeyed, and *Rent* be socialised, every accidental advantage which the growth of the community may confer upon any particular person or persons is socialised, and thus shared by all alike. No one can then become parasitic. One can retire from active work only by industry and saving, and not by appropriating a

part of the *Land's Share*. Industry is thus rewarded with its full earnings while Idleness is rendered impossible—for *persistent idleness is only possible by theft*. Further, there is automatically brought into existence a common fund with which to carry on those enterprises which should be undertaken collectively. This is a most important consideration, which is best dealt with by returning again to our simple western community.

In the beginning the first settler must do everything for himself that he and his family require. He must provide food and clothing, shelter and amusement, instruction and recreation. But, as one settler after another is added, it becomes possible to undertake some work collectively. A time will come when a school is built and a teacher engaged. In time a church will be erected. By and by the supply of water and light will be undertaken by the town or city. Municipal government will be established. Roads and bridges will be built by joint effort. Telephone systems will be established, and so forth. None of these and similar joint undertakings which are characteristic of organized society, must be provided for by a common fund, the expenditure of which is directed by officials of the community. This common fund is provided by taxation, which must become increasingly heavy as the social organism grows in complexity, and as more and more of what were once individual obligations

become social obligations. How is this taxation to be levied? There are many ways. Let us suppose that the officials of the community decide to erect a barrier around the railway station and take a percentage of all commodities either coming in or being shipped out. This is a method which in various forms has been largely employed everywhere. It was conspicuous in Eighteenth-Century France. It provides a considerable revenue with certainty and despatch; it has many apparent advantages. But note its effect. Those living at a distance from the railway station not only have to face the disability of the long haul, but the added disability of contributing a fixed percentage of their gross product (or earnings), which is obviously a higher percentage of their net earnings than is the case with those living near by. Moreover, they cannot share the advantages of the collective undertakings—for example, school—to the same extent as can those near the community centre. They are thus placed under a number of serious disabilities by the incidence of this species of taxation, and constant pressure will be exerted upon them to move to the centre of population where the more favored ones live in comparative opulence. The appropriation of the *Rent* by individuals, and the consequent placing of the burden of taxation upon those least able to bear it, together operate to create a class of social parasites and to discourage

all industry. But if, on the other hand, the *Rent* is appropriated by the community for social purposes (both theoretically as has been demonstrated, and practically as will be contended in what follows), no injustice is done to any individual and at the same time a fund is secured which increases naturally with the growth of the community. Here, it seems to me, is the secret which will solve the *Problem of Distribution*. With this chart we can descend from our mountain top and explore the industrial jungle with some assurance of extricating ourselves from its mazes.

CHAPTER VI

CONSIDERATION OF POSSIBLE OBJECTIONS

In the foregoing analysis of the general problem of *Distribution* it was assumed that one had a right to the wealth he produced by his own labor, and that the increase in industrial efficiency through the various forms of associated effort was justly divided by *Free Exchange*.

Without indulging in any abstruse or speculative discussions as to the nature and origin of *private property*, it may be maintained that for all practical purposes the above assumption is valid. Speaking strictly, of course, there is no rigid distinction between *mine* and *thine*. Each individual, with all his powers, is a creature of his environment: he is a part of all that he has seen or known. His earnings, therefore, are also due to those external forces, persons and institutions which have made him what he is. It is in these considerations that *Communism* finds its logical basis. "No man liveth to himself, or dieth to himself." But in practice, as I have said, the distinction between *mine* and *thine* has sufficient basis to make it a convenient one. If one may claim *any* right of property, it is in the products of labor that the claim is paramount; what one produces by his own efforts is his if anything is his.

Further it can be successfully contended that the increases in the industrial efficiency of the units by social organization are generally and equitably shared by *Free Exchange*. The division of labor, followed by and resulting in the *Exchange* of the products of labor, is essentially a method of co-operation, and, in fact, the most important method. Hence by *Exchange* the advantages of specialization are shared by all. Or, to put the case concretely: If A specializes in growing food, B in making clothing, and C. in building houses; and if the needs of these three individuals are satisfied in these three respects by *Exchange*, then each one will get more food, better clothing and a fitter habitation than if he had attempted to do all three things for himself. The advantages which this simple community gets by the division of labor are thus shared through *Exchange*.

Moreover, in practice the communistic philosophy receives wide-spread recognition through voluntary co-operation. A "co-operative society" makes no attempt to divide between its members with mathematical accuracy. The interests of each member are so bound up with the interests of all that mathematical accuracy is neither possible nor desirable. It is sufficient, for example, to adopt the simple rule of dividing the purchase dividend on the basis of total purchases, and ignore the fact that purchases in one line might be entitled to a slightly greater

percentage of rebate than those in another. Mathematical accuracy is rarely possible in real life; the spirit of the co-operative motto, "Each for All and All for Each," is a good practical guide.

Therefore, while the analysis of the Problem of Distribution already given may seem open to the criticism that it ignores the fact that each individual is a social product, such criticism becomes obviously irrelevant when one examines the social functions of *Exchange*, and when one recognizes how boundless are the opportunities for giving expression to the fact of merged interests by voluntary co-operation. *Exchange* distributes the advantages of the form of co-operation consisting in the division of labor, which form of co-operation is spontaneous and largely unconscious. There is, moreover, conscious or voluntary co-operation, which affords additional opportunities for distributing the advantages of joint efforts.

The first and most fundamental requirements for securing justice in *Distribution* are, therefore, the social appropriation of the *Ground Rent*, and the maintenance of *Freedom of Exchange*. Each requirement is good in itself, but neither will avail much without the other. The two are independent and yet complementary: either may be obtained without the other, but alone will avail little. Our aim should be to obtain both; and its realization involves no great difficulty when once we perceive that the

socialised Rent forms a natural source of public revenue that will render quite unnecessary those vexatious restrictions upon *Freedom of Exchange* which are altogether too generally used as methods of taxation.

The fulfilment of these two fundamental requirements will not, however, meet all social needs. State action, which is a form of voluntary co-operation, is frequently necessary when conditions arise involving monopolies. For example, railways, which are a form of "natural monopoly," should be subject to public ownership and management or to effective public control and regulation. To leave such industries in private hands when they are not regulated by competition will inevitably result in *Unjust Distribution*. It is always possible to replace competitive industry by co-operative industry, though it is not always advisable so to do. For example, it might be expedient for the State to take over the railways, as it has already taken over the highways, schools and postal service; whereas it might be quite inexpedient for it to take over all farm lands and operate them under the civil service. It all depends upon conditions, and each case must be decided on its own merits. We may therefore sum up by saying that Equity demands the socialising of *Rent* and the maintenance of *Freedom of Exchange*. It may also demand the socialising of other things. These "other things" are already largely socialised by

free exchange and free competition; but, where such methods have proved themselves inadequate, public ownership or control may become expedient.*

* It has been often contended that *Freedom of Exchange* does not insure justice in distributing the advantages of the division of labor. This is quite true, as, for example, when producers of a certain commodity organize and "fix a price." But this is a monopoly condition already referred to, and must be dealt with by itself. Such conditions multiply when *Freedom of Exchange* is prevented, as, for example, by protective tariffs; and are difficult in the degree that world-wide Free Trade exists. Let us have Free Trade and Free Competition as a primary requirement. Then if monopoly ensues the people can deal with the situation in one or more of the ways already mentioned.

PART III

THE REMEDY AND ITS APPLICATION

CHAPTER I

INTRODUCTORY

As has been said already the key to the solution of our rural problem from the economic standpoint lies in securing equity in the distribution of wealth. This, as we have seen in Part II, lies first in the social appropriation of the *Ground Rent* and in the maintenance of *Freedom of Exchange*. A second step may become necessary, in the way of public ownership or other form of co-operative effort; but the socialising of the *Ground Rent* is fundamental.

Viewed in its essential outlines, both the problem and its solution are simple, and the remedy not far to seek. It will be, however, both wise and interesting to investigate the practical application of the remedy, since everything must be tested by experience. We shall, therefore, examine the effects upon Canadian Industry of replacing the Federal Tariff tax by one on "land values," i.e. of socialising the *Ground Rent*.

Three questions are of interest. First, how will the change directly affect agriculture? Second, how will it affect those industries which lean upon tariff protection? And, third, how will it affect our revenues? In considering the effect upon Agricul-

ture we must not exclude the other primary industries. I mention agriculture alone because it is the most important and the most representative of these primary industries. Again, in speaking of "those industries which lean upon tariff protection" I have in mind, in a general way, our so-called "Manufacturing" industries, recognizing all the while that many of these "Manufacturing" industries do *not* so lean upon tariff protection. Furthermore, in any treatment of this question one must bear in mind that the first consideration is that of the general welfare; and, moreover, that direct effects may be neutralized by indirect effects, and *vice versa*. For example, it is conceivable that a certain policy might greatly benefit Agriculture (at least temporarily) and at the same time injure other essential industries to such an extent that the total advantage would be negative instead of positive. Farmers have no claim to special consideration. The greatest good to the greatest number should decide in all cases; and it is only because I believe that the real and permanent success of our secondary industries depends upon the success of our primary industries that I press the claims of Agriculture—claims for justice, not for special privilege.

With these considerations in mind we shall proceed next to investigate some of the direct effects of the proposed change in taxation upon Canadian Agriculture. For several reasons I have confined

myself mainly to the Province of Ontario. In the first place, it simplifies the investigation. In the second place I am more familiar with Ontario conditions and have been able to get at the facts more readily. And in the third place, because the real magnitude and importance of Ontario Agriculture has been lost sight of in the noisy obtrusiveness of some of Ontario's other industries.

A fourth question should, indeed, be added to the above three, that, namely, of the effect upon public morality and standards of life. A public policy—be it fiscal or other—that conduces to thrift, industry, sobriety and honesty is thereby commended, whereas a policy that leads to extravagance, idleness, intemperance and dishonesty is thereby condemned. It will be worth while to say something in this connection also.

CHAPTER II

THE REMEDY APPLIED TO CANADIAN AGRICULTURE

The Census of 1911 estimates the value of Ontario farm lands as \$612,000,000, and that of Ontario farm buildings as \$314,000,000. Municipal Bulletin No. 9 gives the 1914 assessment in Ontario townships as \$687,000,000 compared with an assessment of \$669,000,000 in 1913. The latter figures indicate a slight increase in the assessed value of farm property, but in view of the shrinkage of the dollar, this need not be taken as indicating any real increase. Therefore, we may assume that a value of 612 plus 314, or \$926,000,000 in 1911, has averaged about one thousand millions (one billion dollars) during the years 1911-1915.

The essential accuracy of this estimate is confirmed by the following considerations. In 1912 the Dominion Grange sent out a circular letter of inquiry to Ontario rural municipalities asking them how near the assessed values came to the actual values. Replies were received from 128 townships, showing an average assessment of 73 per cent. of actual values. With a rural assessment of \$687,000,000 in 1914, the actual value of the property

assessed was therefore approximately one billion dollars, as already otherwise determined.

The proportion between "land" and "buildings" would not be appreciably different in 1915 from what it was in 1911, viz., two-thirds land and one-third buildings. We may therefore conclude that the value of Ontario farm lands in 1915 was about \$660,000,000. But this was not the "land value" of Ontario farm lands. Improved farm land is cleared, fenced and drained, and such improvements are identical in their nature with buildings, and should, logically, be so assessed. While no figures are as yet available, I doubt if the value of unimproved farm land is more than half that of improved. Indeed I have been told by several good observers that in a great many sections of older Ontario the "bare land" has at present no value—that in many cases there are no rural *Land Values*. And when one comes to think of the labor of clearing land, of removing stumps and stones, of draining, fencing, etc., I doubt whether a large fraction of "unimproved" Ontario farm land could find a purchaser at five dollars an acre. That is to say, if the original forest crop were removed, and the buyer had to face the labor of fitting such "unimproved" farm land for tillage, it is a question whether much of it would command more than the above figure. Be that as it may, it is unquestionable that the value of "unimproved" farm land is much lower than most

people imagine. Take away all "labor values" and in many cases very little is left. In order to be on the safe side, however, we shall assume that the *Land Value* of Ontario farm lands is \$300,000,000.

The assessment for municipal purposes in Ontario towns, villages and cities in 1914 was \$1,202,000,000, somewhat less than half of which was that for "Land." The total assessment was also much less than the selling value. In 1912 an investigation into the sales of 458 pieces of property in Toronto revealed the fact that the selling value was, on the average, about 60 per cent. above the assessed value. Now of course urban *Land Values*, in 1912, were suffering from abnormal inflation, and consequently some deduction should be made from this figure. This is especially necessary because such cities as Toronto were affected to a greater extent by the "Land Boom" than were many of the smaller urban municipalities. We shall therefore assume that the "selling price" of Ontario urban property has averaged 50 per cent. above the assessed value during the years 1911-1915. On this basis the value of taxable urban property may be placed at \$1,800,000,000 in 1914, nearly or quite half of which was due to *Land Values*.

Now city lands are valuable for building sites and for practically no other purposes. The task of clearing, fencing, draining and grading is usually a very trifling one. In this respect urban lands form a

marked contrast with farm lands, and the same deduction for "improvements" (other than buildings) does not have to be made, as must be made in the case of farm lands. Or, to state it otherwise: the deduction for "improvements" such as clearing, draining, fencing, and grading is, on the average, relatively unimportant with urban lands, whose area is relatively small and whose value is for building purposes alone. We may therefore place the *Land Values* of Ontario urban municipalities at \$800,000,000.

But we must add to these values, already partly taxed for municipal purposes, the value of various public franchises (steam and electric railways, light, gas, power, telephone and telegraph companies), the value of mineral rights and lands (which are enormous in Ontario), and, further, the value of the timber limits, water privileges, quarries, etc.

No reliable estimates of such "Land Values" are available. I shall, however, make the following provisional estimates:

The capitalization of Canadian steam railways in 1914 was approximately \$1,500,000,000, about one-third the capitalization of agriculture in 1911. Dividing this railway capitalization on the basis of mileage, Ontario claims \$570,000,000 of it. What proportion of this is the value of the franchise? We have allowed that the "Land Value" of Ontario farm lands is over one-quarter of the total value of

assessed farm property. Railway franchises are surely as valuable as agricultural,* to say nothing of the various subsidies and grants which Canadian railways have had. We shall therefore allow \$150,000,000 "Land Value" to Ontario steam railways.

The capitalization of electric railways is about one-tenth that of Canadian steam railways. On this

* What I mean by an Agricultural franchise is the title to farm lands: the right which the State confers upon the individual to appropriate the fruits of that land. Titles to land (and often much more) are conferred by the State upon Railway corporations, which are identical in their essential nature with titles to farm property. Hence the comparison in the text. I am aware that many people question the propriety of classifying a "railway franchise" as a "Land Value." It is unquestionable, however, that when the State guarantees peaceable and permanent possession of any natural resource—be it farm land, mining land, water powers, or railway rights of way—it confers a privilege upon the individual or corporation concerned, for which it exacts a share of the proceeds (of the labor applied to that natural resource) in the form of taxes. A title to land is comparable to a railway franchise: is, in fact, identical with it in its essential nature. It seems proper, therefore, to include under the general term *Land Values* all privileges to utilize "Land" conferred upon individuals or corporations by the State, whether such "Land" is *matter* or *energy*, and whether the privilege may or may not be called by the same name. There is, in fact, no business or industry which does not use "Land," since "Land" is an essential or basic factor in all production; and therefore in every business there is the element of "Land Values" which should be taken into consideration.

basis we must allow \$15,000,000 "Land Value" to Ontario electric railways.

I have not been able to secure information concerning light, gas, power, telegraph and telephone companies, but I feel safe in placing the value of all such public franchises (including railways) in Ontario at \$250,000,000.

The value of mineral rights and lands is very difficult to estimate. The Provincial Treasurer, in his 1916 Budget Speech, included in his statement of assets some \$75,000,000 for mining lands, etc. What proportion of the discovered mineral resources are now in private hands I have been unable to ascertain, but there is evidently a very large percentage. Judging from the estimates recently made in the press that 80 per cent. of the public resources of British Columbia have been alienated, and from common knowledge of the value and present ownership of part of Ontario's rich mineral deposits, it would be conservative to place the value of Ontario mineral lands at \$200,000,000.

The Provincial Treasurer estimates the timber resources of the Province at about \$350,000,000. I presume that a large proportion of this is still in the possession of the Crown, and therefore not now taxable. We should be safe, however, in assuming a taxable timber value of at least \$100,000,000. Add to this a further \$50,000,000 for quarries, water privileges, etc., and the situation stands thus:

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ONTARIO "LAND VALUES."

Farm Lands	\$300,000,000
City and Town Lands	800,000,000
Public Franchises	250,000,000
Mineral Lands and Rights	200,000,000
Timber limits, water privileges, etc...	150,000,000
<hr/>	
Total "Land Value"	\$1,700,000,000

Now it was shown in Part I, Chapter III, that the total tariff tax during 1911-1915 amounted to about \$350 per annum per rural family, one-quarter of which (about \$90) went into the Federal Treasury. According to the census of 1911 there were, in Ontario, 226,000 "farm occupiers" (tenants or owners). There cannot have been appreciably more in 1915. Assuming the same number, the farmers of Ontario during 1911-1915 contributed \$20,000,000 a year to the Federal treasury through custom's duties, and about \$60,000,000 to the tariff beneficiaries. Out of a total customs revenue of \$92,000,000 (see Part I, Chapter III), the whole of Ontario almost certainly contributed less than \$40,000,000 per annum. However, assuming that this was Ontario's share, what would Ontario farmers have paid if a direct tax on *Land Values* had been substituted for the indirect tariff tax? Reference to the preceding tabular statement of "Ontario *Land Values*" shows that the "*Land value*" of Ontario farm lands was less than one-fifth

of the total. Therefore, under the direct tax Ontario farmers would have paid less than one-fifth of \$40,000,000, i.e. less than \$8,000,000. Assume this latter figure, so as to speak in round numbers, and the situation would stand thus:

(1) Under the direct tax on "*Land Values*" Ontario farmers would have paid \$8,000,000, all of which would have gone into the Federal treasury; whereas,

(2) Under the indirect tariff tax Ontario farmers did pay \$80,000,000, \$60,000,000 of which went into the pockets of tariff beneficiaries.

In 1911 Ontario contained about one-third of the farm population of Canada. Between then and now that figure has probably been somewhat reduced. Assuming it, however, during the period 1911-1915, and assuming that farmers elsewhere in Canada have borne an equal share of the Tariff Tax, and that they will be similarly affected by the suggested change in our system of taxation, we may sum up as follows: Canadian farmers have paid about \$240,000,000 a year in tariff taxes during the period 1911-1915, whereas to raise the same amount of revenue, they would have paid only \$24,000,000 a year if the direct tax on "*Land Values*" had been substituted for the indirect tariff tax. Agricultural production cannot increase as it should unless it is

relieved of this enormous and unjust burden, and the way to do it is to abolish the indirect system and substitute therefor the "Socialising of the *Ground Rent*." This is theoretically just and will be practically efficacious. Only in proportion as it is done, can we look for a solution of Canada's Rural Problem.

CHAPTER III

THE REMEDY APPLIED TO CANADIAN "MANUFACTURING"

We have to examine next the effects of the proposed change in our system of taxation upon "those industries which lean upon tariff protection." And again we begin by postulating the general welfare, the "greatest good to the greatest number," as our foundation.

In the first place one should frankly recognize the risks of economic loss under the tariff system. If, for example, the tariff against coal from the United States was high enough, Ontario would have to depend upon Nova Scotia for her supply of coal. From the standpoint of the coal industry of Nova Scotia, this would be "adequate protection." There are, however, I take it, few "protectionists" who would advocate such an extreme policy. The economic loss to the whole country would be too great, and too obvious. Similarly with the production of tropical fruits in Canada. The home production of these, too, could be "adequately protected," so that "grown in Canada" oranges would be the only ones upon our markets. The disadvantages of trying to grow tropical fruits in this Northern climate (where they need to be grown under glass) particularly if the Canadian Coal In-

dustry is also "adequately protected"—are, however, so apparent to the average man that he would regard with proper scorn any such efforts to "diversify Canadian Industry." But it does not seem to be equally apparent that *any* artificial interference with *Freedom of Exchange* will, in a measure, result in loss that is identical in nature with, though it may be proportionately less than, the loss which is so striking in the two examples cited. Nevertheless, such is the case. Under normal conditions commodities are exchanged because both parties to the exchange are benefited. The wheat of the North is exchanged for the cotton of the South, and the attempt to stimulate cotton culture in Manitoba, or wheat culture in Florida would be regarded with just alarm. Therefore, every interference with the free passage of commodities from where they can be produced advantageously to where they cannot be so produced, involves economic loss, and should be permitted only when it can be proved that this loss is outweighed by countervailing gain.

It may be contended that the artificial stimulation of our secondary industries and the consequent overgrowth of our cities reacts beneficially upon our primary industries: that the farmer benefits from the "home market." This contention is generally based either upon ignorance of the facts or upon fallacious reasoning. The prices for all staple farm products are fixed by the foreign market; and this

must be the case so long as Canada has a surplus in these lines. And, so far as garden truck and small fruits are concerned, their relative unimportance makes them almost negligible. As has been well said, Canadian Agriculture can only benefit from "protection" by being first ruined; and when this time comes, the few farmers who are left will undoubtedly view the "protection" of Canadian Agriculture with more equanimity than the majority of farmers do now—that is, from their own selfish point of view. Then the city man, who now clamors for protection, and expatiates upon the advantages to the farmer of the "home market," will probably begin to pipe a new tune.

Nor is there "countervailing gain" in the lavish expenditures of those who make their money far too easily, as many shallow persons foolishly imagine. Such expenditures merely divert labor from relatively useful to relatively useless occupations. They do not "employ labor and capital": they merely determine *how* that labor and capital shall be employed. Lavish expenditures result in diverting labor from ministering to the real needs of mankind, and employing it in ministering to the foolish, trivial or harmful whims of the idle rich. No; there is no gain in this direction. On the contrary there is positive damage, for luxurious living is essentially demoralizing, especially when it is the privilege of the few and not of the many. Money

earned without corresponding toil and sacrifice is usually misspent, and corrupts the spender. Further, it sets up a false ideal of life which infects the whole community. Indeed, not the least objection to the unjust privileges conferred by our indirect system of taxation is that they make possible lavish and ostentatious expenditures which are generally corrupting and demoralising.

Finally, there is no justification of the protective system in so-called "unfair competition." Unfair competition may exist, but the danger from it, for obvious reasons, has been greatly exaggerated. A new and small competitor may be ruthlessly crushed by a strong and well-established rival, but this will happen only when the strong concern has a reasonable expectation of reaping the unjust rewards of monopoly by so doing. If monopoly conditions cannot be realized, the temporary sacrifice necessary to crush a competitor becomes futile, and, consequently, will not be made. Further, are we not threatened as seriously by "unfair competition" within our own confines as we are from without? Is there not the same danger that competition may be made to disappear by "unfair" methods at home, as there is of its being menaced from abroad? A protective system could, at best, only secure us against the unfair methods of gigantic foreign interests; and, in proportion as it would do this it would encourage the disappearance of competition at

home, and leave us exposed to all the dangers of domestic monopoly.*

The danger from monopoly cannot be met by an interference with *Freedom of Trade*: in fact such interference will have an entirely opposite effect. It must be met by some form of State control, management or operation such as has been already suggested in Chapter VI of Part II, to which the reader is referred.

Current popular notions as to the "countervailing gains" that outweigh the disadvantages of the tariff system are, therefore, ill-conceived; and their prevalence is due to the time and money which interested parties spend in propaganda, and not to any real basis of fact and logic. But there are certain conditions which would justify an interference with the *Freedom of Trade*. If war is the normal condition of mankind, or, in so far as it is to be expected and prepared for, each nation must become independent of other nations. But this self-sufficiency must be complete or it will fail to achieve its aim. The failure to become independent in any one essential line would render futile the most painstaking efforts in other directions. And it is difficult, if not impossible, to anticipate all the needs which may

* Witness, for example, the operations of the Canadian Cement Merger and the disappearance of small foundries, grist mills and other "manufactories" without any corresponding reduction of prices.

be of vital importance on some future occasion. For this reason, and also because nations will in the future probably fight in large groups, if at all, the realization of effective national self-sufficiency becomes both extremely difficult and relatively useless. But of course, in so far as it is judged necessary to become thus commercially independent, a protective tariff may be properly imposed to secure "diversification of industry." Economic loss is trifling in comparison with national liberty, and if the only way of insuring national liberty and integrity is by attaining commercial independence, then of course interference with international trade becomes not only a privilege but a duty. If we dislike and distrust the United States to such an extent that we deem it necessary to become commercially independent of her, then we may properly impose a tariff in order to attain that end. It will then be a duty to break off commercial intercourse, at whatever loss to ourselves, in order that we may be "prepared" at some unknown date in the future. Furthermore, in order to safeguard that "preparedness" it will be necessary to fortify the international boundary, no matter what the cost. The "last dollar and the last man" must be available or all our efforts will go for naught. Such is the logical conclusion to which the doctrine of national self-sufficiency leads us, and one may well pause to question whether such a Canada would be worth living in or fighting for.

Coming, however, to the question under more immediate consideration, the reader should recall what was said in Chapter II of Part I as to the relative earnings of Farming, and "Manufacturing." It was shown there that "Manufacturing" had to its credit a large surplus profit, whereas agriculture faced a large deficit. It was shown further, in Chapter III of Part I, that this disparity in earnings was largely due to the Tariff system, and that if the "protection" which Canadian "manufacturers" enjoyed were taken from them, these two great branches of our industrial tree would have developed in greater symmetry. Therefore the question as to how the proposed change in our system of taxation would affect those industries which lean upon the tariff has been already largely answered. Undoubtedly the "*Surplus Profit*" would be taken away from the "protected industries." But, as has been shown in Part I, these industries would still make a profit. They might not be able to pay such large dividends. There might not be so much watered stock. Princely salaries might have to be reduced. Even "wages" might be somewhat smaller, and therefore less attractive to the young man on the farm. But there would be compensations. The stress of competition would conduce to greater efficiency and better service. Exotic industries would decline and the labor employed in them would be diverted elsewhere to much better advan-

tage. Best of all, self-respect could always be maintained by the "Manufacturer," for it is difficult to maintain self-respect, hat in hand. No one would then venture to say, as was said to me by one of my city friends: "Any fool can make money 'manufacturing' in Canada." The secondary industries would then be on an equality with the primary.

Undoubtedly readjustments would be necessary. But these could be spread over a series of years so as to give time for adaptation. In that way no one need suffer any great hardship, while the total benefit would be certainly worth while. In fact I feel quite safe in saying that a complete change in our system of taxation might be made in the course of a few years without producing greater distress than was experienced as a result of the collapse of the "boom" in 1913, and with incomparably less disturbance than has been caused by the Great War. Moreover, there would be immediate compensations, even to those industries from which special privileges were withdrawn. Some of these have been mentioned. Others arise out of the fact that the stimulation of our primary industries would immediately increase the *demand* for "manufactured" articles. Our secondary industries cannot continue to prosper by preying upon our primary industries. There comes a time when the penalty has to be paid, when the magnificent temple collapses in ruins because its foundation has been undermined. Big

Business knows this in a dull way, and eagerly scans the crop reports, knowing full well that the prosperity of Agriculture will speed up all the wheels of commerce. It should be able to perceive also that the unburlening of Agriculture by the proposed change in the incidence of taxation would react beneficially upon Canadian "manufacturing" by increasing the demand for "manufactured" goods. And yet many seem blind to this obvious fact. A few years ago I heard a prominent "manufacturer" lament over his "bad debts" in the West. He did not seem to realize that the policy of persuading Western Farmers to buy twice as much machinery as they could profitably use was suicidal. The farmer can pay for machinery only through the products of his farm, and if he is overburdened and worried with debts he will produce less instead of more. Every time a farmer is persuaded to buy a machine that does not prove profitable to him, the future demand for other machines is curtailed, and a prospective customer is lost. On the other hand anything that will make agriculture more prosperous will react favorably upon all the other industries. The foundation must expand as the superstructure grows, or the whole edifice will fall in ruins.

Bearing all these considerations in mind one need not be alarmed in the slightest as to the effects which the proposed change in taxation will have upon

those industries that lean upon the tariff. The renunciation of an unfair advantage will do nothing but good. Providing the change is not made too suddenly very little disturbance will be caused; and in the long run manifold benefit will result. Even if such a change should result in distress to, and require painful readjustments in, our "manufacturing" industries, it would still be an open question as to whether or not the disadvantages would outweigh the advantages; and, if we had only the two alternatives of allowing the present festering sore to continue to infect our life, and of drastic surgical treatment, I should certainly favor the latter. Fortunately, however, we are not compelled to make such a choice.

CHAPTER IV

THE REMEDY—ITS RELATION TO FEDERAL TAXATION AND INCREASED PRODUCTION

In the third place we have to investigate the effects of the proposed change in taxation upon Federal revenues. Will a direct tax on *Land Values* give sufficient revenue?

Ontario "*Land Values*" as already estimated amount to nearly \$800 per capita. Estimates made in the United States show an average of about \$1,000 per capita, and confirm the conservative character of the estimates made here. Assuming a "*Land Value*" of \$800 per capita throughout the Dominion we have total "*Land Values*" of six billion dollars, which, at the very moderate rate of four per cent. would yield a Federal revenue of \$240,000,000. Would not this help to wipe out Canada's indebtedness, past, present and future?

But this is not all. Reference has been made already to a statement of opinion that much farm land in Ontario has no "*Land Value.*" In so far as this is true it indicates that agriculture has been so burdened that the land—from which we get our living—offers no inducement to the willing worker. This is a striking indictment of existing social conditions.

But suppose agriculture relieved of its burdens. At once the opportunity which the "bare land" offers increases in value. Take the following example, in which we shall assume only the very trifling remission of a one per cent. tax on \$4,000 worth of farm buildings.

A prospective purchaser of farm property valued thus, Land, \$4,000; Buildings, \$4,000; and taxed on both "land" and improvements has to face a cash payment of \$8,000 and an annual tax of \$80 at the rate of one per cent. This would be equivalent to a cash payment of \$9,600 with money at 5 per cent. If, now, the buildings were to become exempt from taxation (the rate of taxation remaining unchanged), the purchaser would face only a cash payment of \$8,000 and an annual tax of \$40. This would be equivalent to a cash payment of \$8,800. The remission of the tax upon the buildings would therefore increase the value of the "bare land" by \$800. In such case the remission of a \$40 tax increases the "*Land Value*" by \$800. How much greater, then, would be the effect of remitting the tax which the Canadian farmer pays to the Canadian manufacturer via the tariff? As has been estimated already this tax amounted during 1911-1915 to about \$250 per annum per farmer. With this tax remitted the "*Land Value*" of the average farmer would have increased by \$5,000; that is to say, with money at five per cent.,

the average farm would then be worth \$5,000 more than it is to-day. Of course it would then pay more taxes, which would, in a measure, counteract the effects of the remission. The net result of these two opposing forces can be determined mathematically as follows:

Let r be the rate per cent. of taxation and V' the "Land Value" of the average farm that pays the \$250 tax to the "manufacturer." Further, let V be the "Land Value" after this \$250 tax is remitted. The additional tax, at rate r will then be $\frac{r(V-V')}{100}$ which will have the effect of decreasing the "Land Value" (at 5 per cent.) by $\frac{20 r (V-V')}{100}$ or by $\frac{r (V-V')}{5}$. The effect of the remission of the \$250 will be, however, as previously stated, an increase of \$5,000. The net increase will therefore be the difference between the increase due to the remission of the tariff tax and the decrease due to the increase in the regular tax.

Therefore $V-V' = \$5,000 - \frac{r(V-V')}{5}$; from which

$$V-V' = \frac{\$25,000}{r+5}$$

Now, if we assume a Federal tax rate of four per cent. (as was suggested in the second paragraph of this chapter) and substitute for r we shall obtain $V-V' = \frac{\$25,000}{9} = \$2,777.77$, or, in round numbers, \$2,750, as the net added value which the proposed change in our system of Federal taxation would confer upon the average Canadian farm. And, as has been shown, this increase in "Land

Values” would mean still further increase in our revenues. The general principle involved is that *any* encouragement which is given to industry increases “*Land Values*” by making greater the rewards of labor applied to *Land*, and thereby increasing the competition for *Land*. But in its social effects this increase in “*Land Values*” is entirely different from that which is due to the operations of speculators. The one accompanies maximum production while the other accompanies minimum production. The relief of Canadian Agriculture from the burdens it is now bearing would therefore greatly increase farm values, and thus enable farmers legitimately to bear heavier taxes. In practice the actual values would be determined by the operation of two antagonistic forces—increasing rewards tending to advance values and the forcing of speculators to sell tending to reduce values.

From the point of view of revenue production such a change in the incidence of taxation is noteworthy. Free industry from its burdens and every “national opportunity” will become increasingly attractive. Thus “*Land Values*” will increase everywhere, on the average; and hence, with a constant *rate* of taxation, the revenue will also increase. How otherwise can we raise money to meet the vastly increased needs of the future without crippling our essential industries? Where can we

discover another system of taxation which has as many advantages and as few disadvantages? No question is settled until it is settled right; and we may as well face the issue now, and set ourselves to solve in a practical way the great, insistent, 20th century problem of *Equity in Distribution*. This is the secret of increased production, as well as of paying our national indebtedness. Justice alone will make this a prosperous country.

CHAPTER V

THE REMEDY—ITS RELATION TO PUBLIC MORALITY

The fourth question with which we have to deal is that of discovering how the proposed change in our system of taxation will affect national morality.

It may be premised at the outset that any replacement of an unjust by a just system of taxation cannot but react beneficially upon moral standards and conduct. We might, indeed, be satisfied to go no further, resting assured that an honest effort to establish justice in our economic life could not but have salutary effects. However, it might not be amiss to point out several directions in which the results of the proposed change would be helpful.

In the first place *Direct Taxation* as contrasted with *Indirect* always conduces to honesty. Indirect taxes are shifted from one to another, and, by the time they are actually paid, are often undetected. In fact the Tariff system has been commended as the best method "of plucking the goose with the least squawking." Not one in ten realizes when, how, and how much he pays to the State when purchasing the various commodities that he and his family need. And he is therefore less disposed to watch the expenditure of funds to which he is not conscious of contributing. In every possible direction *Direct Taxation* is preferable to *Indirect*.

In the second place a protective tariff is a prolific breeder of political corruption. It is notorious that tariff beneficiaries strive to maintain their special privileges by contributing lavishly to political campaign funds and by maintaining shrewd and capable lobbyists in our legislative halls. A system justly described as "legalised robbery" is not over-scrupulous as to its methods, and one cannot be surprised at many of the things which have come to light in connection with the relationship between politicians and the "protected interests." The demand for publicity in the matter of contributions to campaign funds would not be so insistent, and the reluctance to accede to this demand so marked on the part of politicians, if there were not, in this connection, a "sink of iniquity" to uncover and cleanse. The matter is one which does not need amplification here, since every citizen with his eyes and ears open has seen and heard enough.

In the third place it may be safely contended that the proposed change will conduce not only to higher moral standards at home, but to the maintenance of friendly relations between neighboring peoples. Tariffs are a species of commercial warfare and always tend to irritate and antagonize. It is, indeed, significant that Germany was given over to the Protective Idea, whereas Great Britain was, in marked contrast, a conspicuous example of Freedom of Trade. It is worth while to develop international amity.

CHAPTER VI

WAYS AND MEANS OF APPLYING THE REMEDY

The revival in Canadian Agriculture, upon which so much depends, can be brought about primarily and mainly by voluntary efforts on the part of the farmers themselves. We may be sure that Special Privilege will do nothing to relieve those upon whose industry it unjustly fattens. The remedy must come from within, not from without; it must come by *organization, education and co-operation.*

Rural organization is necessary first for industrial efficiency and economic advantage, secondly for mental and moral uplift. Association for economic advantage involves the subordination of the interests of the individual to those of the group, and this implies a certain development of intelligence and moral character—implies ultimately the perception of the truth that the highest welfare of the individual is identical with, and only obtainable by, the greatest good to all. Among those lacking in associative intelligence predatory methods prevail, and the economic advantages of associated efforts are lost. Whether, therefore, rural organizations have as their immediate aim the betterment of economic conditions, or the uplifting of rural life on its social,

educational or moral sides, they are working practically towards the same end. Economic advantage and mental and moral development cannot be divorced in practice: they run parallel courses, and rise or fall together.*

In Canada rural organization has not kept pace with the demand for it. The isolation of farm life, the character of the farmer's work, and the distance that separates farmers from each other, all contribute to make agricultural organization difficult. There is, moreover, a special difficulty in the fact that every new country suffers from a barbarous ebullition of individualism, whose noxious effects are for a time disguised by the extraordinary richness of nature. Canada has been no exception to this rule. Predatory methods and interests have run riot, and have infected the whole nation, the evil effects of which infection are now after a period of incubation, becoming apparent. The outlook, however, is not without hopeful signs. The farmers of the Canadian West are rapidly organizing, and are already exercising a strong, or even dominant, influence upon the whole fabric of life in the Prairie

* It is, of course, conceivable that association for economic advantage might result in oppression or exploitation of other classes, as we see in the case of certain industrial combines. This menace is, however, no argument against organization, and it must be dealt with quite otherwise than by discouraging organization.

Provinces.* In the East, until quite recently, organization has been less rapid and less efficient. Obstacles have been many and great. There has existed a multiplicity of special organizations, concerned with special phases of agriculture, and all more or less dependent upon State officials, whose activities, however well meant, have been of doubtful value to agriculture under existing conditions. It is indeed a question whether the State departments of agriculture have done more good than harm. In Ontario, the Department of Agriculture, through its various activities, has captured or side-tracked a goodly proportion of those who might otherwise be leaders in agricultural organization, and has thus weakened the farmer's forces. Paternalistic methods have extended both in scope and power. This extension of state action might be viewed with less concern if our governments were farther removed from the influence of predatory interests. As it is, however, the chief result of State action seems to have been the diversion of attention from what is now the extremely serious problem of Distribution to the less important problem of Production.

However, notwithstanding all these drawbacks, agricultural organization in Eastern Canada has made rapid progress of late. The "United Farmers of Ontario" has been in existence but five years and already has about six hundred branches represent-

* See "Deep Furrows," by Hopkins Moorhouse.

ing some twenty-five thousand members. The Toronto convention of the U. F. O. in December, 1918, was attended by some fifteen hundred delegates, whose discussions dealt largely with questions relating to the *Distribution of Wealth*. Therefore, while Western Farmers have organized more completely and effectively than those in Eastern Canada, progress in the East is now quite noticeable, and when all things are considered, as rapid as could be expected.*

The ultimate prosperity of Canada depends, however, not on the organization of any one class, but on the recognition, by city worker and by country worker, of the fact that their interests are identical.

* Rural organization is spreading, too, beyond the four central provinces above mentioned. British Columbia has now its *United Farmers*, as has also New Brunswick, and Nova Scotia is alive to the situation. The provincial organizations are federated by a "Canadian Council of Agriculture," which is thus qualified to speak for Canadian agriculture as a whole; and it is noteworthy that in this way rural opinion is becoming consolidated, and is being crystallized in such declarations as the recently promulgated "Farmers' Platform."

CONCLUSION

CONCLUSION

ETHICAL IMPLICATIONS OF OUR RURAL PROBLEM—
MATERIAL WELL-BEING DEPENDENT UPON JUSTICE

Canada's Rural Problem, with all its menacing possibilities, is a direct result of the violation of the moral law. A crude individualism has prevailed among us, and we have forgotten justice. We have ignored the vital import of *Equity* in Distribution. Special Privilege has run riot and, if history has any meaning, will fight till the last. If it succeeds it will bring about political and social corruption and national downfall. Largely directing, as it does, the press, the pulpit and the schools, it is an open question as to whether or not it will succeed. The way in which the "Slave Power" dominated for so long the government of the United States of America, making both Church and Press its instruments, and the terrible conflict which was necessary before that Power could be destroyed, constitute an impressive warning to us. The terrible war which has just ended is, too, another impressive lesson, showing how disastrous and far-reaching may be the consequences of the greed and selfishness of the few. The shores of the Ocean of Time are strewn

with much national wreckage. It is easy to be misled by a fictitious prosperity; it is hard to remember that justice is the only foundation upon which a permanent social structure can be erected. "Eternal Vigilance is the Price of Liberty."

In Canada we have, by human enactment, violated the moral law which commands a just distribution of wealth. Our Governments have been too ready to listen to the Circean song of the social parasite. Taxation has been made an instrument for extortion. The few have enriched themselves at the expense of the many. We have produced a class of idlers who live in luxury upon other people's earnings, and yet we pretend to be astonished because the land grows thistles instead of grain, and persist in the mockery of calling for greater production without first assuring to labor a just reward. And all these injustices have reacted to corrupt the body politic; for, as mercy "blesseth him who gives and him who takes," so extortion curses both oppressor and oppressed.

Surely now, when the flower of our manhood has been sacrificed for the purpose of preserving Liberty and Democracy, we can realize the blasphemy of trampling upon God's courts with vain oblations, of spreading forth blood-stained hands in prayer, of preaching justice and practising injustice! Surely now, after Death has reaped his harvest upon the battle-fields of Europe, the command to "Wash you,

make you clean; put away the evil of your doings from before mine eyes; cease to do evil; learn to do well; seek justice"—comes home to us with renewed force! Surely at last we can make an honest effort to establish in this, our native land, a Kingdom of Righteousness, without which we cannot possibly obtain abiding prosperity. "Seek ye first the Kingdom of God and his righteousness and all these things shall be added unto you."

