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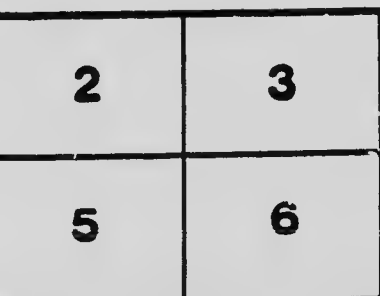
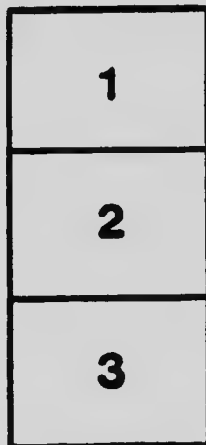
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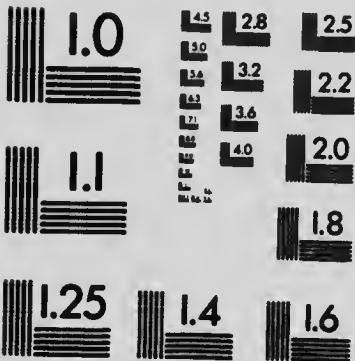
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# TARIFF EATS ITS OWN CHILDREN

**Present fiscal system has withering  
effect upon small manufacturers.**

**By RODERICK McKENZIE.**

*Issued by the Canadian Council of Agriculture.*

Since the farmers' platform containing demands for changes in the custom tariff, was placed before the Canadian public, there has been considerable rumbling from the direction of the Canadian Manufacturers' Association. It was in February of this year that the C. M. A. finally gave definite expression to its feelings.

In their statement the manufacturers "urge most strongly that all tariff controversy should be postponed until the country has settled the immense problem of readjustment from war to peace conditions." There is a familiar sound to the proposition of "postponing" all controversies in respect to the tariff. Beneficiaries of protection always had a reason why discussion of the question should be deferred. During the war the demand was for postponement until the end of the war. Many agreed there were reasons why that should be done. The war has ceased; still, another reason is being advanced. Most of the people are convinced that an essential readjustment from war to peace conditions involves the adjustment of custom duties. No other question to be considered has within it so much that affects the future progress and economic welfare of Canada, as that of the question of special industries being granted special privileges by the government at the expense of the people.

The Canadian Manufacturers' Association assume that they believe the country should concentrate its energy on the task of returning from war to peace conditions; that there is one and only one essential thing to do during the transition period, and that is to **leave custom duties severely alone**, "and everything else that is needful will be added unto you."

Thoughtful Canadians think the one most essential thing to do in our dilemma is to devote our energies towards converting into liquid

asset the enormous latent wealth we own in our agricultural lands and other natural resources to be used in liquidating our enormous liabilities. No other one thing has contributed so much towards retarding the development of these natural resources and preventing realization on the wealth they contain for the use of the people, as the excessive overhead charges created by custom duties.

### **Delusion of Forty Years.**

Canada has been for the last forty years unduly taxing the resources of the people engaged in converting our natural wealth into liquid form under the delusion that we were building up Canada by establishing industries that were not self-supporting and that Canada could not support without recourse to the expediency of borrowing from the Mother Country. Every year for the last forty years we were sinking deeper into debt until immediately prior to the war our borrowing had to stop. Now faced with a problem of meeting the cost of the war in addition to carrying the load incurred in pre-war times, we are solemnly warned by the Manufacturers' Association that Canada's only salvation is to continue the custom of protection enjoyed by the members of that association.

During the early days of the National Policy its blighting effect on the development of industry was not so apparent. Manufacturers stimulated by custom duties became numerous. On account of competition with one another they sold their products at competitive prices. Being protected, however, from outside competition, they found it to their advantage to amalgamate their interest, thus removing competition from among themselves.

### **Decay of Small Industry**

Analysis of the 1916 postal census of manufacturers reveals the fact that protection, as we now have it in Canada, has a withering effect on manufacturing as well as on the development of our natural resources. The number of establishments employing five hands and over in 1915 was only 15,593, as compared with 19,218 in 1910. True, by including establishments employing less than four hands in 1915 (which were excluded from the census of 1910) the number was increased to 21,306. The census bulletin classifies the various interests in eight groups. The group of establishments having an average output of \$25,000 or less constitute 76.57 per cent. of the total number. Establishments having an average production of \$200,000 or less, constitute 94.67 per cent. of the whole. Those having a production of over \$200,000 constitute only 5.24 per cent. of the whole. A general review of the group shows those having a production of \$200,000 and under the average output per establishment, decreased 22.36 per cent. in 1915 as compared to 1910. The significance of the above statement is that under protection 20,159 out of the 21,306 manufacturing establishments enumerated by the census bulletin 1916 have decreased their production in 1915 as compared to 1910 upwards of 22 per cent. That is to say, 94.76 per cent. of the manufacturers in Canada have decreased their average production over 22 per cent. in that period. As there was a material increase in values in 1915 as compared to 1910, the decrease in volume would be more marked. On the other hand the bulletin points out that there was an increase of 20.68 per cent. in the total product of manufactures. The residue of 5.24 per cent. must have increased their output very largely. It looks like a case of the big fish eating up the little fish.

What further need is there of demonstrating that manufacturing interests, as well as the farming industry and the development of our natural resources demand an immediate relief from the effect of customs duties, and no attempted readjustment to peace conditions after the war will prove effective in allaying the unrest and sense of injustice that exist, without the removal of the burden of protection.

The effect of protection as we have it in Canada, on the prosperity of the people is cumulative—the longer it continues, the greater the depression. Manufacturing industries in the early days of the National Policy prospered. With the added duties and cumulative effect of protection only the larger manufacturing concerns constituting only five per cent. of the whole and who receive their raw material free from custom duties, have profited. The larger portion of this raw material is subject to the war tax on imports. Take a few illustrations: Hides are free, as is also extract logwood, fustic oak bark and preparations thereof, by statute. Tanners get a drawback of 99 per cent. on stearine and cassine when used in the manufacturing of leather. Hypo-sulphate of soda and other tanning articles are free by order-in-council. The shoe maker, the shoe repairer, the harness maker and all others whose basic raw material is leather, have to pay 15 per cent. custom duty plus seven and one-half per cent. war tax. They get no free raw material. Raw cotton is free. Wool is free. Textile manufacturers are protected to the extent of 32 to 42½ per cent. Some 3,000 industries in the Dominion are the converters of the products of the cotton and woollen mills into finished garments. They get no free raw material, but are compelled to pay the group of financiers, who control the textile manufacturers in Canada, the full extent of the protection they receive. They collect this tribute from their customers.

### Oppressed Industries

The report of the Minister of Customs for the year ending March 31, 1917, shows that we imported that year 461,733,609 dollars' worth of dutiable goods, and 383,622,697 dollars' worth of free goods. Free goods being 46 per cent. of the imports and were largely imports of raw material and almost exclusively used by the larger manufacturers. Of the 21,306 manufacturing establishments in 1915, the following is a partial list of industries culled from the 1916 Census Bulletin, which obviously receive no benefit from protection, but are victims of its effect on the increased cost of production by creating excessive overhead costs, including increased fixed and working capital:

Number		Number	
Aerated and mineral waters .....	221	Electric light and power.....	307
Artificial limbs and trusses.....	9	Fish, preserved .....	775
Asbestos .....	9	House building .....	556
Awnings, tents and sails.....	30	Lithographing and engraving.....	60
Cotton bags .....	10	Log products .....	1,887
Baskets .....	19	Lumber products .....	661
Bicycle repairs .....	13	Monuments and tombstones.....	171
Blacksmithing .....	611	Painting and glazing.....	115
Boats and canoes .....	83	Patent medicines .....	106
Boot and shoe repairs.....	127	Photography .....	280
Boxes and bags (paper).....	71	Picture frames .....	25
Boxes (wooden) .....	85	Plumbing, tinsmithing .....	933
Bread, biscuits and confectionery...1,375		Printing and book binding .....	411
Brick, tile and pottery .....	230	Printing and publishing .....	646
Butter and cheese.....	3,307	Roofing and roofing materials.....	39
Men's clothing, custom .....	1,048	Shipping and ship repairs.....	30
Women's clothing, custom .....	853	Signs .....	59
Cooperage .....	117		
Dyeing and cleaning.....	133	Total .....	15,402



This list could be supplemented by many industries which receive high protection but whose raw material is the finished product of the large industries and are compelled to pay to the producers of this raw material the larger portion of the protection they receive. Many of them can show that the additional cost of doing business due to protection, nearly offsets any advantages they receive through custom duties. They pay tribute to the manufacturing concerns that supply them raw material, and they collect the amount of that tribute, and some more, from the consumers of their product.

### **Relation to Public Revenue**

Manufacturers state in their memorandum that last year the tariff provided for "61 per cent. of the total revenue of Canada and over 75 per cent. of the total secured by all forms of federal taxation." The United States in the same period, similarly to Canada engaged in the war, collected around five per cent. of their total revenue from custom duties. Britain collected about 11 per cent. of their total revenue from custom duties during the period, levying the major portion of the tax on non-competitive goods, a method exactly opposed to the protective theory for which the Manufacturers' Association stands. United States last year collected 75 per cent. of their revenue from income tax and excessive profit tax and are expected to collect 85 per cent. for 1919 from the same source. Britain and the United States collected the larger portion of their revenue for war purposes and the conduct of government from men of money and wealth. Canada levies the main part of her revenue on consumption.

It is pertinent to ask who pays the revenue received by government from custom duties. Manufacturers do not. The larger manufacturers get their raw product free, excepting war tax. The smaller manufacturers buy their raw material from home industries. Members of the Manufacturers' Association and financiers will no doubt live up to their "slogan" and buy for their personal needs "Canada made goods." Only users of dutiable imported goods contribute to the revenue secured from **Custom Tariff**.

Manufacturers in their statement boast of their contribution to the winning of the war, and insinuate that the war might have lasted for many days longer but for the part played in winning it by Canadian factory production. No one wants to detract from the manufacturers whatever credit they are entitled to for their part in winning the war, and they have done their part. The man who gives the best that is in him for love of his country does not usually boast of his achievement or look for a quid pro quo. In view of the many scandals and charges of profiteering levelled against our large manufacturers at the beginning of their operation in supplying war material, and in view of the scores of men who undertook the manufacturing of munitions and other war equipment, that were never known to be associated with manufacturing industry, we cannot close our eyes to the fact that many of these men were actuated by other motives than helping to win the war, and they would be just as ready to enter into the enterprise of manufacturing hair pins as they were to manufacture war equipment, did it offer to be as profitable an undertaking.





