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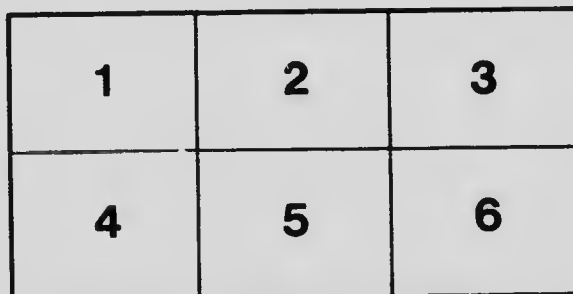
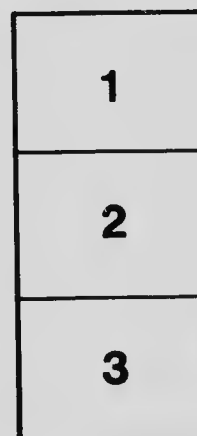
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OFFICIAL STATEMENT

SUBMITTED BY

The
Canadian Manufacturers Association

To the Committee of Ministers of the Crown
Appointed by the Government of Canada
to Hear Representations in Regard to

THE CANADIAN CUSTOMS TARIFF



Winnipeg, September 14th, 1920

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MADE IN CANADA

SUMMARY OF OFFICIAL STATEMENT

Reasons why Canada should retain the present fiscal policy of adequate protection for Canadian agriculture, industry, labor and business

1. Canada has shown wonderful growth in agriculture, manufacturing, forest production, mineral production, transportation, banking, insurance, and other business since the adoption in 1878 of the National Policy of adequate protection for all classes.
2. Because Canada was strong in all departments of national activity, she made a great record in the war.
3. Since the war practically all civilized countries have retained or increased their protective tariffs.
4. Over 2,000,000 Canadians are supported by wages paid by Canadian factories.
5. Over eighty per cent. of all the produce of Canadian farms is consumed in Canada.
6. The tariff has caused over 600 branches of United States factories to locate in Canada.
7. The tariff provides a great portion of the revenue of the Dominion Government.
8. The present tariff of Canada is very moderate; the average rate of duty on all dutiable importations is $22\frac{1}{2}$ per cent.; the average rate of duty on all importations, free and dutiable, is only $14\frac{2}{3}$ per cent.
9. Canadian products should not be exported in the raw state, but should be manufactured in Canada in order to create business, provide employment and add to the national wealth.
10. Canada has maintained a protective tariff for 42 years. The United States, our greatest competitor, has maintained a protective tariff for 131 years. Their manufacturers have a home market of 105 million people. Our manufacturers have a home market of about 8 million people. Last year each inhabitant of the United States bought, on the average, \$4.41 worth of Canadian goods, while each Canadian, on the average, bought \$100.26 worth of United States goods. United States' purchases from Canada were largely raw material. Is it surprising that the rate of exchange is against Canada and that our dollar is at a heavy discount in the United States? This is the situation with a Canadian tariff. What would it be if the tariff were removed? Abolish the tariff, and in the words of Ex-President Taft, Canada will become "an adjunct of the United States."
11. The destiny of Canada is a fully developed nation within the British Empire.

Official Statement Submitted by the Canadian Manufacturers Association to the
Committee of Cabinet Ministers Who Opened the Inquiry into the
Canadian Customs Tariff in Winnipeg on September 14th*

Winnipeg, September 14th, 1920.

IN submitting the following general statement to the Honourable Ministers of the Government who constitute this Committee of Inquiry into the Canadian Customs Tariff, the Canadian Manufacturers Association respectfully begs to emphasize the close relationship existing between the manufacturing industries and all classes of the population. According to the Dominion census, about 700,000 people are employed in the factories of Canada. Including their families, the number of persons who depend for their living on the wage rolls of Canadian factories number over 2,000,000. In addition there are probably half as many more wholesale and retail traders, professional and business men and others who derive the chief part of their incomes indirectly from industrial establishments. Moreover, as about eighty per cent. of the total annual produce of Canadian farms is consumed in Canada, chiefly by the people living in towns and cities, farmers are also vitally concerned with industrial conditions.

Any civilized country that aspires to greatness must be strong in the following departments of national activity: agriculture, manufacturing, transportation and finance. Purely agrarian countries have never reached any degree of greatness; purely industrial countries cannot exist; both manufacturing and agriculture are helpless without the machinery of finance and transportation systems to carry produce.

What part does the factory play? Remove the factories and imagine the effect on the wholesale and retail trade, on the banks, on the financial and brokerage houses, on the real estate agents, on the professional men, on the tax collecting departments? In the majority of Canadian cities and towns the factories are the direct or indirect cause of a very considerable part of business transacted, because the welfare of many allied activities depends on the ebb and flow of the factory output, the buying capacity of the factory purchasing department and the spending of the factory payroll. Strike at the factory and you strike at nearly every one in the city or town. Strike at the city or town and you strike at the agricultural population surrounding the city or town, for cities and towns use the produce of the farms, while the cities and towns in their turn supply the farms with most of those luxuries, comforts and necessities which are part of civilized existence.

Consequently, throughout this statement, the Canadian Manufacturers' Association has tried to keep in mind, in a broad, general way the fact that practically every family

in Canada, directly or indirectly, is benefited by industrial prosperity and injured by industrial depression.

The Principle of Protection

As the Canadian Customs Tariff has not been revised since 1907, revision is now overdue. After careful investigation, it may be found that the rates of duty on some articles are too high and will consequently be lowered; or, in certain other cases, that the rates of duty are too low and will consequently be raised; or, in other cases, that the rates of duty will be considered fair and remain unchanged. But all tariff revisions are governed by a guiding principle, and this guiding principle must be either the policy of protection or the policy of free trade. The term "tariff for revenue" is misleading, because a tariff of even ten per cent. on an article produced in Canada yields revenue and also affords a small degree of incidental protection.

In presenting this statement, therefore, the Canadian Manufacturers Association respectfully begs to re-affirm its advocacy and support of the policy of adequate protection for Canadian industry (the policy which has been maintained since 1878 in Canada by all political parties that have held power).

Moreover, the Association pledges its support to any measures which will hasten the adoption throughout the British Empire of substantial customs preferences for Empire products, corresponding to the preferences now provided in the customs tariff of Canada.

Definition of Protection

The objects of the protective system in Canada have been and should continue to be:—

- (1) To diminish, as far as possible, the importation of goods from foreign countries which can be produced at home.
- (2) To facilitate the importation of raw materials for manufacturing processes, which cannot be produced at home.
- (3) To encourage the exportation of Canadian goods as finished products.
- (4) To make Canada self-contained by developing and encouraging within her boundaries all legitimate activities that will give occupation to Canadian citizens.

The protective system is, above all things, a national system. The country is the unit. It aims to make the individual country strong in all vital departments of activity. If it were founded on any other basis it could not survive; and the only reason that the protective system has been in operation in practically all civilized countries for several centuries, with a few intermittent excep-

*Reprints of this Official Statement may be had on application to the C.M.A.

tions, is that the system safeguards and develops the resources and prosperity of the great majority of the citizens of each country. A country must guard its interests just as an individual guards his interests. A country should try to develop not only its material resources but also the possibilities contained in the capacities of its respective citizens. It should take stock of all its resources, of its geographical position, the ability and character of its population and try to use all in the best possible manner to build up a strong and secure national existence. It is respectfully submitted, therefore, that the revision of the tariff and the consequent framing of the fiscal system of Canada can only be legitimately approached from the national point of view and without undue regard to the special privileges or demands of any classes of the population or section of the country.

The Tariff

As the protective system is put into operation and maintained largely by means of the machinery known as a customs tariff, or, in other words, schedules of duties imposed by the national Government on goods imported into Canada, it is advisable to examine how a tariff works. In the first place, it protects domestic industry by increasing the difficulty of importing competing products; in the second place, it secures revenue for the Government; and in the third place, it can be used either as a weapon against any foreign country that is using discriminatory methods, or to bargain with a foreign country for tariff concessions that will open desirable markets for Canadian products. Consequently, the tariff, being the chief instrument which maintains the protective system in operation, cannot be suddenly changed or abolished without at the same time changing or abolishing the protective system.

Support of the protective principle should not be confused with advocacy of a high tariff. The Canadian Manufacturers Association has never advocated a high tariff, and does not advocate a high tariff now, but it is a conservative statement of fact to say that the Canadian customs tariff as it stands to-day is not a high tariff, and that in comparison with tariffs of other countries it is very moderate.

The total value of all free importations into Canada during the fiscal year ended March 31st, 1920, was \$370,872,966.

The total value of all dutiable importations into Canada during the same period was \$693,643,211.

The total amount of duty collected during the said year was \$187,520,613.

Included in the foregoing is the customs war tariff duties, which, for the said year, amounted to a total of \$31,369,296.

The average rate of duty, including the war tariff, on all dutiable importations was 27.03 per cent. over the same period.

The average rate of duty on all dutiable importations, less the customs war tariff collections, was 22.5 per cent.

The average rate of duty, including the war tariff, on

all importations, free and dutiable, for the same period, was 17.61 per cent.

The average rate of duty on all importations, free and dutiable, after deducting the customs war tariff collections, was 14.66 per cent.

On the 18th day of May, 1920, the customs war tariff rates were completely removed by Parliament. Surely it is reasonable to say that the average rate of duty of 22.5 per cent. on all dutiable importations and the average rate of duty of 14.66 per cent. on all importations, dutiable and free, now imposed by the Canadian Customs Tariff, constitute a moderate tariff.

History of Protection

It might be advisable, at this stage, to summarize briefly the growth of the system of protection, which, it should be noted, coincides with the development of modern industry.

England, which, until recently, was held up as the great example of the benefits bestowed on a country by free trade, was one of the first countries in the world to adopt a genuine protective fiscal system. Oliver Cromwell framed the first protective customs tariff for England and also, in 1651, passed the famous Navigation Act, forbidding foreign goods to be brought to England except by English vessels or vessels belonging to the country from which the goods came. With a customs tariff in operation and with the Navigation Act in force, England, at that time, had a great measure of protection.

The protective system continued in England from the middle of the seventeenth century until 1846 or about 200 years. By the latter date, England was, by long odds, the leading industrial country in the world and also the chief maritime nation. English farmers were strong protectionists, and heavy duties were imposed on farm produce entering England from other countries, but the agitation begun in 1838 by the industrial population caused the change, and England, after a period of nearly 200 years under the system of protection, during which she had risen to be the richest and most powerful trading nation in the world, adopted free trade for the following reasons: Being an island with a rapidly increasing population, and limited room for expansion, she acquired great overseas possessions. These colonies produced large quantities of raw materials or semi-finished materials. England was the workshop, with the formula of cheap food and low wages. Goods were manufactured cheaply, largely because wages were low and living was cheap. Ships were built cheaply for the same reason, and the sailors who operated these ships to carry raw material to England and finished products from England were paid low wages.

While Great Britain relatively maintained under free trade a considerable part of the industrial supremacy established during two hundred years of protection, there are the strongest reasons for believing that this was done partly at the expense of the working classes, a fact emphasized by the Hon. Arthur Meighen in his speech in the

House of Commons on May 25th, last, when he quoted Sir Henry Campbell-Bannerman's statement that, in 1903, there were 13,000,000 of the population of the United Kingdom who were at or below the poverty line, not having enough to eat.

About the time of Oliver Cromwell, the protective system was introduced in France by the statesman, Colbert, and remained in force until the French Revolution, when it was modified, although France did not adopt a fiscal system approaching free trade until 1860.

After the introduction of free trade into France in 1860, it was quickly discovered that under this system, France could not stand the competition of England and the United States, and in 1872, after the Franco-Prussian War, returned to the protective system. Other European nations had followed the free trade experiment of France in 1860, and they also imitated her later action in reverting to the protectionist policy. In 1879, under the direction of Bismarck, Germany inaugurated a distinctly protective system, and most of the other European nations soon followed the example of Germany and France.

The Protective System in North America

Prior to the Revolution, the industrial development of the thirteen English Colonies on the Eastern Atlantic Coast had been very limited. This was due to several reasons. The energies of the northern colonies were confined largely to overcoming the hardships of pioneer existence, while the southern colonies who employed slave labor, devoted themselves to the creation and cultivation of extensive plantations. There were no large cities; New York and Boston were only seaport towns. Raw material was shipped to England, where most of the manufactured goods needed were purchased.

During the Revolution, shipments from England were stopped, and the colonists had to depend for manufactured goods upon what they could secure from France and other European nations. After the Revolution, hostility towards England diminished imports of English goods. Later, came the trade disturbance caused by the Napoleonic wars, when shipments from Europe suffered great interference. Consequently, they were forced to pay more attention to manufacturing at home.

The first tariff measure passed in 1789 by the United States provided for "the encouragement and protection of manufacturers." At first, the protection afforded was low, the duties ranging from 5 to 15 per cent. ad valorem. When Europe began to recover from the Napoleonic wars, United States manufacturers suffered from European competition, and consequently, a larger measure of protection was afforded. From 1816 onward the character of the United States tariff has been distinctly protective.

After the Civil War the protective tariff was again raised. The McKinley tariff of 1890 increased protective duties on articles which entered into competition with articles produced in the United States. The Dingley tariff of 1867 made general increases, and finally the

Payne-Aldrich tariff brought the protective system to the highest point which it had reached since the Revolution.

When the Republicans were defeated and President Wilson and the Democratic party were elected to power, a general reduction of the United States tariff was made on October 3rd, 1913, and direct taxation was increased to provide for the revenue which was lost through the general reduction. It did not follow, however, that the United States departed from the protective system; the United States tariff is still protective in character, and at the present time its average rate on dutiable imports is about the same as that of Canada.

The United States is the great example of how a country can be developed under the protective system. It is now a self-contained country, producing practically everything that is needed by a population of one hundred and five millions.

It is interesting to note that the early manufacturers of the United States encountered the usual difficulties experienced in a pioneer country. They had to combat the lure of the word "imported" because it was difficult for those who had been accustomed to purchasing foreign goods to substitute for them the goods produced in their own country.

The expression "home-made" was a synonym for lack of quality, but with the passage of time, the point of view changed, and it was found that the manufacturers and producers of their own country, if given opportunity and encouragement, could make articles equal or superior to imported articles. Now the tendency in the United States is to ask for "home made" articles instead of "imported" articles.

In surveying the previous history of the United States, it is obvious that those who guided the fiscal policy of that country, seem to have based it on a sure foundation.

In passing, attention is directed to the following clause from the platform of the Republican Party of the United States, adopted by the National Republican Convention at Chicago, June 10th, 1920:—

"The uncertain and unsettled condition of international balances, the abnormal economic and trade situation of the world, and the impossibility of forecasting accurately even the near future, preclude the formulation of a definite programme to meet conditions a year hence. But the Republican party reaffirms its belief in the protective principle and pledges itself to a revision of the tariff as soon as conditions shall make it necessary for the preservation of the home market for American labor, agriculture and industry."

The World Tendency Towards Protection

From this brief history it may be seen that fiscal policies of countries are inter-related and swing together like a pendulum towards protection at one period and towards free trade at another period. This fact is significant, because the present swing of the world pendulum is strongly towards protection.

Following the armistice, industrial countries, especially those that had been engaged in the war, took pre-

cautions to safeguard their home markets against a deluge of foreign goods, in order that their demobilized soldiers and war workers could secure employment in their own countries.

In the United Kingdom import embargoes that had been in effect during the war were continued and increased, with the result that manufactured goods from other countries were practically barred out of the United Kingdom. Later, this system was relaxed in respect to the products of the British Overseas Dominions entering the United Kingdom; and, recently, the majority of the remaining restrictions were removed. The United Kingdom, notwithstanding statements to the contrary, is not a free trade country. She now applies various protective duties, and has a measure before Parliament designed to prevent dumping, arising from exchange depreciation or other causes. During his budget speech in the House of Commons on April 15th, last, the Honorable Austen Chamberlain, Chancellor of the Exchequer, stated that the United Kingdom had raised during the year ending March 31st, 1920, the sum of £149,360,000 from customs duties imposed on goods imported into the United Kingdom. That is, every resident of the United Kingdom paid a customs tariff tax on the average of about \$16 last year. In Canada last year the average per capita tariff tax, including the war tariff, now removed, was about \$23, or, without the war tariff, about \$19.50. Yet, some people describe Great Britain as a free trade country and Canada as a high tariff country.

The business men of Great Britain realized early in the war that steps must be taken upon the cessation of hostilities, to protect British industries. Attention is drawn to a document entitled "Report of a Sub-Committee of the Advisory Committee to the Board of Trade on Commercial Intelligence with Respect to Measures for Securing the Position, after the war, of certain Branches of British Industry."

The Sub-Committee reported on the 11th of January, 1916, and the report was presented to both houses of Parliament:

The following were the branches of industry to which inquiries were directed: paper manufacture, the printing trade (including color printing), the stationery trade, the jewellers' and silversmiths' trade, cutlery, fancy leather goods, glassware, including table glass, laboratory ware and glass bottles, china and earthenware, toys, electrical apparatus, brush trade and hardware.

In Section 48 of the Committee's report, the following statement appears: "Practically all the representative firms and associations consulted by us asked for a measure of protection." The schedules in the report show that the measure of protection requested ranged from 10 to 33 per cent.

Early in 1916, the Government of Great Britain, which was a Liberal Government under the Premiership of Mr.

Asquith, appointed, through the Board of Trade, the following Committees:

1. Departmental Committee, to consider the position of Iron and Steel Trades, after the war;
2. Departmental Committee, to consider the position of the Electrical Trades, after the war;
3. Departmental Committee, to consider the position of the Engineering Trades, after the war;
4. Departmental Committee, to consider the position of the Textile Trades, after the war;

These Committees were non-political and were composed chiefly of practical business men. The reports of all four Committees were presented to the Imperial Parliament in 1918 and recommend a fair measure of protection for all the industries concerned.

In July of this year, the Executive Committee of the Tariff Reform League of Great Britain adopted a definite tariff programme which it is preparing to advocate among the British electors. They propose that Great Britain impose a tariff of 5 per cent. ad valorem on imports into the United Kingdom from countries which are members of the British Empire; 10 per cent. on imports from countries which are allies of the British Empire, and 20 per cent. on imports from all other foreign countries which compete with British products.

In other leading European countries protective tariffs were considerably increased since the war. France increased her tariff rates during the past year on most goods by amounts varying from ten to three hundred per cent.; and as late as April 28th, 1920, she announced a new and extensive list of prohibited imports.

Italy, Switzerland, Austria, Spain, Roumania, and the Balkan States, have made general increases in their tariffs. Recent despatches show that still higher protection is being provided in most of these countries, and especially in France, Italy and Spain. Japan has now in operation a high protective tariff.

In South America, all countries have tariffs designed not only for the purpose of producing revenue but also to provide for a reasonable measure of protection for home industry. The average rate of duty on all importations, both free and dutiable, for these countries, for 1913, the latest year for which statistics are obtainable, follow:—

Countries.	Average ad valorem duty on Imports, per cent.
Argentina	20.8
Bolivia	17.1
Brazil	35.9
Chile	19.9
Ecuador	36.6
Paraguay	31.1
Peru	21.9
Uruguay (1912)	36.2
Venezuela	46.7

An instance of the trend in these countries appears in the following extract from the report of the Chilean Tariff Commission, viz:—

"The tariff policy of Chile is avowedly protective. In presenting the first draft of the law the tariff commission

stated that it had rounded out the protective system introduced by the tariff of 1897. 'No one,' the speaker declared, 'has advised any deviation from the policy, which has been followed, and is followed, by the majority of the countries of the civilized world, and especially our neighbors with whom we have close commercial relations.'

The most recent example of an increase in tariff protection is afforded by Australia. Previous to the war Australia had a protective tariff of a moderate type, and imported a great deal of manufactured goods in payment for the exportation of her raw materials; consequently, her manufacturing industries did not reach a high stage of development. The result was that Australia suffered severely during the war, because, owing to her isolated position, she could not import from Great Britain and other countries the manufactured goods which she had been in the habit of getting. She is determined that this experience will not be repeated, and that she must build up her own industries. To this end a tariff was introduced in Australia on March 24th, 1920, which is highly protective in character. All British countries outside the United Kingdom, have tariffs that are protective in character, with the exception of certain Eastern countries, such as India and the Straits Settlements, which impose duties on certain imports for revenue.

Official records show that there is not in the world to-day one country making any pretensions to industrial development that is without a protective tariff.

This Dominion's tariff legislation, designed for national development, must be affected by the fact that every great industrial nation to-day throughout the world has erected protective tariff barriers against the exploitation of its markets by other nations. Were our customs tariff removed whilst other countries maintain and strengthen theirs, our markets would be filled with the overflow goods from protected foreign countries, while our goods would be largely shut out of foreign markets. This would so reduce the markets of our factories as to raise Canadian productive costs above a competitive basis; and many of them would be compelled to cease operations.

The reasons that have led other industrial countries enumerated above to maintain or increase the protection afforded by their tariffs are the same reasons that should convince us of the wisdom of maintaining adequate safeguards for Canadian industry, commerce and agriculture.

Growth of Canadian Industry Under Protection

The early fiscal history of Canada corresponds in general outline to the early fiscal history of the United States. France treated Canada in much the same way as England treated her American colonies. She sold them manufactured goods in exchange for raw products, such as lumber, furs, minerals and grain. When the possession of Canada changed hands, the previous policy was continued.

The United States adopted the protective system in 1789, while Canada adopted the protective system in 1878, or 89 years later.

In commerce, in finance, in agriculture and in manufacturing, the United States was greatly in advance of

Canada by 1878. It is interesting to speculate what the position of Canada would have been to-day if this country had been afforded the advantages of the protective system between 1789 and 1878 to the same extent as they were afforded to the United States.

Canada is the older of the two countries, and yet the population of the United States is twelve times that of Canada, with her wealth greater almost in proportion. Is it partly because the United States adopted the protective system 89 years earlier?

The test of the efficiency of a fiscal system is the country's all-round development. The best way to determine whether or not Canada has flourished under the policy of adequate protection for Canadian industry is to study the statistics, not for one industry, but for all the great basic industries, and see how they have developed since 1878. Consider first the total trade of Canada. The following table shows that since the introduction of the National Policy, our total trade has multiplied sixteen times:—

Fiscal Year.	Total Trade.
1879	2,489,188
1889	196,309,107
1899	304,227,339
1909	548,139,881
1919	2,185,194,620
1920 (unrevised)	2,351,171,886

Agricultural production in Canada has flourished as the following statistics indicate:—

Year.	Field Crops.	Other Farm Produce.	Total Production.
1900	\$194,953,420	\$169,253,446	\$364,906,866
1910	383,366,856	279,982,334	663,349,190
1917	1,144,637,000	476,391,000	1,621,028,000
1919	1,452,437,000	623,404,000	1,975,841,000

Average Values per Acre of Occupied Farm Lands in Canada, as estimated by Crop Correspondents, 1910, 1911-1919.

	1910	1914	1915	1916	1917	1918	1919
Canada	\$38	\$38	\$40	\$41	\$44	\$46	\$52
Prince Edw. Island	31	39	38	39	44	44	51
Nova Scotia	25	28	28	34	34	36	41
New Brunswick	19	26	22	29	29	35	32
Quebec	43	47	51	52	53	57	72
Ontario	48	54	52	53	55	57	66
Manitoba	29	32	30	32	31	32	35
Saskatchewan	22	24	24	23	26	29	32
Alberta	24	21	23	22	27	28	29
British Columbia	74	150	125	119	149	149	174

The national output of wheat has grown as follows:—

Year.	Bushels.
1870	16,732,873
1880	32,350,269
1890	42,232,372
1900	55,572,368
1910	132,077,547
1919	193,260,400

Manufacturing has shown a similar extraordinary advance.

Manufacturing Industries

Year.	Capital Invested.	Employees.	Value of Products.
1881	\$165,302,623	254,935	\$309,676,068
1891	353,214,300	369,595	469,847,886
1901	446,916,487	308,482	481,053,375
1906	846,585,023	356,034	718,352,603
1911	1,247,583,609	515,203	1,165,975,639
1915	1,994,103,272	515,883	1,407,137,140
1917	2,786,449,727	692,067	3,015,577,940

The products of the forests, of the mines and of the fisheries, and the volume of banking and insurance business have shown the following great increase in values under the National Policy:—

Forest Production

Year.	Log Products & Wood Pulp.
1881	\$39,540,570
1891	55,266,368
1901	55,051,865
1906	72,878,051
1911	114,713,655
1915	79,767,938
1919	140,381,534

Mineral Production

Year.	
1889	\$14,013,113
1899	49,234,005
1909	91,831,441
1917	189,646,821
1918	211,301,897
1919	*173,075,913

*Subject to revision.

Fishery Production

Fiscal Year.	
1879	\$13,529,254
1889	17,655,254
1899	21,891,706
1909	29,629,169
*1917	52,312,044
*1918	60,243,429

*Calendar Year.

Chartered Banks

Year.	Paid-up Capital & Reserve.
1888	79,218,565
1898	91,197,340
1908	170,885,203
1918	225,508,222
1919	243,912,111

Total Bank Deposits by the

Year.	Public in Canada.
1878	\$71,900,195
1888	128,725,529
1898	248,752,085
1908	639,899,365
1918	1,669,597,617
1919	1,841,478,895

Amount of Life Insurance Policies in Force

Year, Dec. 31st.	Amount.
1878	\$84,751,937
1888	211,761,583
1898	368,523,985
1908	719,513,913
1918	1,785,061,273
1919 (unrevised)	2,187,833,396

Amount of Fire Insurance Policies in Force

Year, Dec. 31st.	Amount.
1878	\$409,899,701
1888	650,735,059
1889	895,394,107
1908	1,700,708,263
1918	4,523,514,841
1919 (unrevised)	4,904,396,461

Since 1878 the composition of our population has changed. Then the great majority of the people were engaged in farming, lumbering and fishing. There was

comparatively little business activity, and those who could not be employed in the above industries were forced to emigrate, with the result that some millions of Canadians are living in the United States to-day who would never have left Canada if opportunities for employment had been available. After 1878 the industrial system of Canada began to develop, until to-day it directly supports 2,000,000 Canadians, and, in addition, yields indirect opportunities to several millions more.

Transportation

In 1879, the year after the adoption of the National Policy, there were only 6,484 miles of steam railways in Canada. A glance at the following table will show a great increase in the mileage, in the amount of freight carried, and gross earnings:—

	1879.	1889.
Miles in operation	6,484	12,628
Tons of freight	3,348,310	17,928,626
Gross earnings	\$19,925,066	\$42,149,615

	1899.	1909.	1919.
Miles in operation	17,141	24,104	38,896
Tons of freight	31,211,753	66,842,258	116,699,572
Gross earnings	\$62,243,784	\$145,056,336	\$382,976,901

As might have been expected, the colonization of Canada moved from east to west, and one of the most active agents of colonization was the railway. The transcontinental roads were the links which connected the various provinces, and has since held them together. Our entire transportation system has been constructed on the east and west principle; first to develop and serve new territories, and second, as a link in the Imperial chain which binds together the various countries of the British Empire.

The railways opposed the reciprocity agreement of 1911 with the United States on the ground that such an agreement would build up north and south traffic at the expense of east and west traffic, and would depreciate the value of the huge investments in our transportation systems.

Some of the greatest men in Canada have been intimately connected with transportation, especially with railway building. If they believed that free trade between the United States and Canada would increase the prosperity of their railways, surely they would advocate it. The fact that they oppose it, shows that they consider that the transportation systems of Canada would suffer accordingly as the Customs Tariff is lowered.

This is even a more important question than it was in 1911, because the Government now owns two out of the three transcontinental railways, and will have to pay deficits out of general taxation.

The organization of the Canadian Government Merchant Marine marks a new period in the history of the country's development. The first vessel was commenced in May, 1919, and by the end of the year, twenty-two ships ordered by the Government were completed. It is expected that by the end of 1920, sixty ships will be in commission. These ships were built in Canadian shipyards, largely from Canadian material, and by Canadian

workmen. The outfitting of these vessels is done in Canadian ports and with Canadian goods. They are manned chiefly by Canadian seamen, and are now carrying Canadian goods abroad.

British and Foreign Capital Invested in Canada.

One of the most remarkable developments attributable directly to the adoption of the protective system in Canada, is the investment of British and foreign capital in this country. At the present time there are over 600 branches of United States' factories in Canada, employing about 87,000 people and representing invested capital of about \$400,000,000. While a few of these concerns might have come to Canada if there had been free trade, it is an absolute fact that the great majority came to Canada because the Canadian customs tariff stood as a partial barrier to the importation of products manufactured by the parent concerns in the United States. Although the number of branches of British factories established in Canada is small in comparison with the number of United States' branches, as against this, according to Sir George Paish's estimate in 1911, the sum of \$1,860,000,000 of British capital was invested in Canada at that time, a considerable proportion of which was invested in manufacturing enterprises.

Growth of Canadian Agriculture

The Canada Year Book of 1918, published by the Dominion Bureau of Statistics, Trade and Commerce Department, gives interesting statistics in regard to Canadian agriculture. On page 219 of this volume, the following extract appears:—

"If to the estimated value of agricultural production in 1917, viz., \$1,621,028,000, be added for land, \$2,792,229,000; for buildings, \$927,548,000; for implements, \$387,079,000; and for live stock, \$1,102,261,000, the total estimated agricultural wealth of the Dominion of Canada for 1917 amounts to \$6,830,145,000."

That was Canada's agricultural capital in 1917.

While the above statistics give us, as far as statistics are capable of giving, a glowing picture of the prosperity of agriculture in Canada, it is probably safer, for comparative purposes, to rely upon general impressions which a traveller receives in passing through other countries. A traveller visiting the agricultural districts of the United States and Canada would probably conclude that they are fairly equal in prosperity and advancement. Contrasting the agricultural development of Canada and the United States with that of Europe, the balance would lie heavily in favor of this continent. Not only is the average prosperity of each family greater, but the standard of education and of living is very considerably higher.

Realizing the importance of agriculture, the Dominion and Provincial Governments have given special attention to this basic industry.

Under the Agricultural Instruction Act, large appropriations are annually paid by the Dominion Government to each of the Provincial Governments of Canada for the

encouragement of agriculture "through education, instruction and demonstration carried on along lines well devised and of a continuous nature," and "for the purposes of assisting in the work of veterinary colleges established in the provinces."

Dominion Experimental Farms and Stations have been established throughout Canada, 24 in number, divided among the provinces as follows: Three in Ontario, one in Prince Edward Island, two in Nova Scotia, one in New Brunswick, six in Quebec, two in Manitoba, three in Saskatchewan, two in Alberta, and four in British Columbia. In addition, there have been established eight sub-stations in Western Canada, and experimental work has been carried on, on fourteen farms in Saskatchewan, thirteen in Alberta, and thirteen in Quebec, under the supervision of the Dominion Government authorities.

Under the Canada Grain Act, 1912, the Dominion Government has power itself to erect and operate terminal grain elevators. Five such elevators are already in operation, situated at Port Arthur, Saskatoon, Moosejaw, Calgary and Vancouver. In addition to the expenditures of the Dominion Government, all the Provincial Governments spend large sums annually on agricultural development.

In every province legislation has been enacted to enable the farmer to buy his farm, buy farm implements, seed grain, and erect new buildings, without having any considerable sum of capital.

Of recent years the money appropriated for railway extension has been spent almost entirely with the intention of providing better facilities for the agricultural communities, and possibly no commodity carried by the railways of Canada enjoys a better rate than farm grains.

All these measures are sound, and consistent with the doctrine of protection, because they are designed to stimulate and safeguard the great basic industry of agriculture.

Replies to Free Trade Arguments

Objection may be taken to this general statement in support of protection and in opposition to free trade, on the ground that there are comparatively few free traders in Canada, and that free trade is not a practical issue. There are, no doubt, many who advocate free trade when they are in some parts of the country, and who say that they do not want to abolish the tariff entirely when they are in other parts of the country. But the fiscal policy of Canada must be governed either by the policy of protection or the policy of free trade. There is no middle ground, because these opposite policies cannot be reconciled. Moreover, one thing is clear. Free trade arguments are being used to-day as the spear head of the attack against the protective system in Canada. It may be that many who use the free trade arguments do not believe in them, and are merely trying to create a diversion from which they may profit. But, since these free trade arguments are being used to attack the National Policy, it is necessary to show why they cannot be applied profitably to Canada.

One of the chief free trade arguments is to belittle the

value of the home market, especially to farmers. It is stated that Canadian farmers sell their produce in an open market, where the prices are fixed by international competition, and that they buy what they need in Canada, which is described as a closed market. For 1919 the gross value of the agricultural production of Canada has been officially estimated at \$1,975,841,000. Exports of unmanufactured farm produce were valued at approximately \$315,000,000, or, if butter and cheese be included, at a little over \$361,000,000. In other words only between 16 and 18.5 per cent. of all the produce of Canadian farms was exported in the unmanufactured state, while between 81.5 and 84 per cent. was marketed in Canada.

The home market under normal conditions is a constant market. In a country where the population is steadily increasing it is a growing market. The foreign market or open market is an uncertain market. It may be lost entirely through war. It may be restricted through unfriendly legislation or economic causes.

During the present war, thanks to British supremacy on the seas, the foreign market was greatly enlarged for Canadian agriculture. Europe wanted everything Canada could grow, but if the supremacy of the seas had been in the hands of the enemy, the market for Canadian farm produce in Europe would have disappeared. As a matter of fact, the market for Australian and New Zealand farm produce was greatly diminished, owing to the scarcity of ships to carry produce from New Zealand and Australia to Europe. When shipping was scarce, Canada got the preference because ships could be sent more quickly and safely to Canada than to New Zealand and Australia.

Another example of the destruction of markets by war conditions is afforded by Russia. When the Germans and Turks closed the Dardanelles, Russian wheat stopped coming to the Allies.

An example of the home market being lost by legislation occurred in Canada when the United States advanced the duty on Canadian barley, with the result that the price of barley in Canada dropped over night 20 cents to 30 cents per bushel.

Another example of tariff legislation was shown by Germany when she put an extra tax on Canadian wheat. Foreign nations have absolute control of their own tariffs; they can exclude Canadian produce at any time; and examples are numerous of such action having been taken unexpectedly and arbitrarily.

Foreign markets may be lost or restricted through gradual economic changes. Before the war occurred, Great Britain depended largely on outside countries for their food stuffs. The submarine menace, however, taught them a stern lesson. Never again will they depend to so great a degree on other countries for their food. They have determined to increase their agricultural production, and most effective steps are now being taken to attain this object. It follows, therefore, that if Great Britain grows more at home, she will import less from Canada. The same lesson has been learned, although the necessity

has not been so great, by other European countries, who had relied on North and South America for the greater supply of their food. It is natural that the argument about selling in foreign markets and buying in protected markets should be most strongly urged in Western Canada, where grain is grown for export. But the conditions of agriculture are changing very rapidly in Canada. Not so many years ago wheat was the principal source of farm revenue in Ontario. What is the case now?

The following figures from the Canada Year Book, 1919, show how the farmers of Ontario made their money for that year:—

Field crops	\$373,507,000
Farm live stock	384,266,000
Tobacco	5,561,730
Creamery butter (1918)	13,136,470
Cheese (1918)	23,213,520
	\$799,684,720

The value of all kinds of wheat grown in Ontario in 1919 was \$40,701,000. Consequently wheat only represented about 5 per cent. of the total value of Ontario farm produce.

Roughly speaking, a new country starts growing wheat and gradually develops into mixed farming, and the progress of the Prairie Provinces away from the wheat-growing stage to the mixed farming stage has already reached extensive proportions.

The increase in farm live stock in the Prairie Provinces is set forth in Table 18, page 195 of the Canada Year Book, 1918.

	1911.	1916.	Increase.	Increase Per Cent.
Prairie Provinces:				
Horses	1,194,995	1,848,812	653,817	54
Milch cows	484,145	820,583	336,438	69
Other cattle ...	1,324,786	1,956,286	631,500	47
Total cattle ...	1,808,931	2,776,869	967,938	53
Sheep	285,130	495,689	210,559	73
Swine	712,222	1,362,046	649,824	91
Poultry	8,432,423	10,395,705	1,963,282	23

The growth of industry in Manitoba, Saskatchewan, and Alberta is also extraordinary. In 1900 the value of goods manufactured in these three provinces was a negligible quantity. For the present year a very conservative estimate would place the value of the goods manufactured in the three Prairie Provinces at \$300,000,000. In 1900 there was not a single member of the Canadian Manufacturers' Association located west of the Great Lakes. At the present time there are seven hundred—five hundred of these in the Provinces of Manitoba, Saskatchewan and Alberta. In fact, Western Canada is becoming rapidly industrialized—the industries which have made the greatest strides being milling, packing, steel and iron, clothing, textiles, building and paper.

The Canadian home market that absorbs 80 per cent. of farm produce is the population of the cities, towns and villages. Analyze city, town and village, and it will be found that a considerable part of the activities of their inhabitants has its origin and existence in the factories. Manufacturing is the life blood of wholesale and retail trade, transportation, professional practice, and commer-

cial enterprises. Business clusters around the factory. Close or restrict the factory and business dwindles and the home market declines.

Another free trade argument is that under the protective system industry is developed at the expense of agriculture. It is submitted that the information and statistics set forth previously disprove this contention so far as Canada is concerned.

The average value of occupied farm land in Canada increased from \$38 per acre in 1910, to \$52 per acre in 1919.

Taking the Canada Year Book's estimate of the agricultural capital of Canada in 1917 of \$6,830,145,000, and dividing this sum by the number of farms in Canada, given by Government statistics as 730,000, we find that the average capital per farm was \$9,356. Moreover, our industrial development has not caused any undue depopulation of the rural areas. In 1911, the rural population of Canada was 54.47% of the total population. This is a marked contrast to Great Britain where the rural population was 49.8% of the whole when free trade was adopted in 1846, and had fallen to 21.9% in 1913.

It is also argued that, as Canadian manufacturers during the war produced munitions which compared favorably with those produced by other countries, they do not need protection now. This argument ignores the extraordinary conditions governing the munition industry. There was no competition. The price of munitions was fixed and calculated to yield a reasonable margin of profit where the business was efficiently conducted. The work was done to standard specifications. No selling force was required because the market took all the supply. More important still, Canadian manufacturers secured the opportunity to manufacture in large quantities. That is the pressing need today, and the home market is necessary to supply it.

It is also argued that protection causes combines.

Free trade England was the home of the world's greatest trade organizations; and the resolutions of Committees mentioned previously indicate a desire that greater facilities be provided in England for trade combination. Proper types of trade organizations produce greater efficiency, better quality and lower prices. Improper organizations can be prosecuted under existing laws. In any case, industrial combination has not reached undue proportion to date in Canada. The census places the number of manufacturing establishments at about 35,000, although this includes concerns which can scarcely be called factories. As the number of factory employees is estimated at about 700,000, the average number of employees per industrial establishment in Canada is about twenty.

A more serious charge is that Canadian manufacturers take undue advantage of the tariff, for example, by adding freight and duty to selling price of competing products in fixing their own selling prices. We do not defend such practice, but we submit that specific charges should be made against the offenders rather than general statements against all manufacturers, or against the protective system.

We beg to draw attention to an unfair method of attacking manufacturers, and through them, the protective system. A few manufacturers who have enjoyed unmarked prosperity are singled out. They are attacked in a sensational manner in the press and on the platform. Their profits for particularly successful years are advertised. Their financial statements are analyzed unfairly. No attempt is made to average the lean years with the good years. No tribute is admitted to efficiency, economical management, or unusual business ability. These outstanding examples of prosperity are held up to the public as a general condition of entire industries.

This method of argument is as unfair as it would be to hold up some phenomenal case of profitable farming, or a lucky strike in mining as an example of how agriculture or mining pays generally.

Let us consider how this is applied to the shoe manufacturing industry. Two or three of the most successful firms may be pilloried, in the hope, perhaps, that the public will conclude that their success was characteristic of all. A recent survey of the shoe manufacturing industry shows, first, that a very considerable number of firms have tried to succeed in this industry but have become bankrupt, and, second, that the average return on the capital invested in the shoe industry was 5.29 per cent. per annum. Dunn's estimate of failures of Canadian manufacturing firms for the last ten-year period is as follows:—

Year.	No. of Failures of Mfg. Firms.
1918	232
1917	261
1916	363
1915	655
1914	614
1913	452
1912	323
1911	321
1910	292
1909	354
1908	426

This is the other side of the story.

Where Will the Revenue Come From?

It is sometimes argued that the customs tariff is not a proper instrument to raise revenue. 43.5% of the total revenue of the Dominion Government was produced by the Canadian customs tariff in the fiscal year ending March 31st, 1920. In the fiscal year ending March 31st, 1921, the Minister of Finance estimates that the tariff will produce 43.8% of the total revenue. Leaving out items for demobilization and for investment and capital outlays, the balance sheet of the Dominion of Canada for the year ending March 31st, 1920, reads as follows:—

Total revenue	\$388,000,000
Total ordinary expenditure	349,000,000
Surplus	\$39,000,000

Suppose that we had had free trade and consequently no revenue from the tariff. Subtract the \$169,000,000 produced by the tariff last year, and the above surplus

becomes a deficit of \$130,000,000. The balance sheet would have read as follows:—

Total expenditure	\$849,000,000
Total revenue	219,000,000
Deficit	\$130,000,000

But the balance sheet leaves out items for investment and capital outlays. It is quite reasonable to omit these in presenting a balance sheet showing ordinary revenue and expenditures, but the actual balance sheet for the year ending March 31st, 1920, if Canada is to pay as she goes, should read as follows:—

Consolidated fund ordinary expenditure	\$349,000,000
Investment and capital outlays	187,856,991
Total	536,856,991
Revenue	388,000,000
Deficit	\$148,856,991

Assume that we had free trade and did not secure the customs revenue of \$169,000,000. In that case, the deficit would have been \$317,856,991.

For the year ending March 31st, 1921, the Minister of Finance, in his budget speech, estimated that the balance sheet will be:—

Estimated expenditure (including capital outlay)	\$549,649,428
Estimated revenue	331,000,000
Estimated deficit	\$168,649,428

Adopt free trade, lose the customs revenue, which he estimated at \$167,000,000, and the deficit will be \$335,649,428.

Those who would abolish the Canadian customs tariff and thus lose the revenue which it produces, suggest that this revenue should be replaced by the imposition of the following taxes—a direct tax on unimproved land values and natural resources, increased taxation on personal incomes, increased inheritance taxes, and increased taxation on corporations. As to taxing unearned increment as such, no objection is offered, but it must be remembered that vacant land now pays taxes to the municipalities and in some provinces additional taxes to the provincial government. In fact, much vacant land has been given up by the owners in preference to paying the taxes now imposed. Single tax has not stood the strain of financial depressions. Income taxes are now paid by individuals to the municipalities and also to the Dominion Government. Inheritance taxes are now imposed by all the provinces. Corporations are taxed as persons by municipal governments, provincial governments, and the Dominion Government, and also pay special taxes to every province for the privilege of being corporations. It is submitted that the suggested forms of direct taxation, while capable of some extension, cannot produce in one year the huge sum of \$335,000,000 (or almost the entire present revenue of Canada).

The fact that the per capita amount of revenue raised by the tariff is greater in Canada than in the United States is often used as an argument that the Canadian tariff is too high. The explanation of the fact is simple. The United States imposes a high tariff on imports which

compete with domestic products. But, because the United States has built up home industry by constantly adhering to the protective principle for 131 years, comparatively little is imported. Consequently, the amount of duty collected is smaller per capita than in Canada, not because the United States duties are lower, but because the volume of imports is comparatively much smaller.

Why Canada Needs Protection Against the United States

The overwhelming commercial weight of the United States, coupled with our geographical position in relation to that country, must be considered in framing all trade legislation affecting Canada's national growth and development. That country, with a population of 105,000,000 buys from this country of 8,000,000 people only about one-half the value of the goods which it sells us. Our exports to the United States and imports from the United States each year since 1907 follow:—

Value of Imports from United States

Fiscal year.	Amount.
1907 (9 months)	\$155,943,029
1908	210,652,825
1909	180,026,550
1910	223,501,809
1911	284,934,739
1912	356,354,478
1913	441,141,562
1914	410,788,091
1915	428,616,927
1916	398,693,720
1917	677,631,616
1918	791,906,125
1919	746,920,654
1920	802,096,817

Value of Exports to United States

Fiscal year.	Amount.
1907 (9 months)	\$79,021,480
1908	118,520,500
1909	92,604,357
1910	113,150,778
1911	119,396,801
1912	120,534,634
1913	167,110,382
1914	200,459,373
1915	215,409,326
1916	320,225,080
1917	486,870,690
1918	441,390,920
1919	477,745,659
1920	464,029,273

Last year, each inhabitant of the United States bought \$1.41 worth of Canadian goods, while each Canadian bought \$100.26 worth of United States goods. Significant also is the fact that our purchases from the United States were largely in manufactured goods while their purchases from Canada were chiefly raw material. It is not surprising that the rate of exchange is against Canada and that our money is at a heavy discount in the United States. This is the situation with a Canadian tariff. What would it be if the tariff were abolished?

The United States, even under the present customs tariff, which represents the policy of the United States low tariff political party, still highly protects those industries which need such protection as a safeguard for development: and we must not forget that even those manufactured

articles which now enter the United States free of duty will probably be protected if the Republican Party is returned to power. Consequently, few Canadian industries can afford to make investments based on the possibility of access to the United States markets. All investments in Canadian industries must be made principally for east and west trade within the Dominion, and export trade with other British Dominions which favor British products with tariff preferences.

The United States, under present conditions, is the competitor of Canada in international trade. Practically every staple product exported by Canada is also exported in much greater quantities by the United States. It is true that the United States is now manufacturing articles which we do not manufacture in Canada; but there are few articles which the United States makes that Canada cannot also make in time.

At present, Canada is under certain disadvantages in manufacturing in competition with the United States. In the first place, the United States has maintained a protective tariff since 1789. Factories sprang up and attracted immigration and capital. This in turn created a home market for farmers. City and country grew together. Capitalists who wished to invest their money in the United States knew that the country was committed to a stable and permanent policy of protection. Our policy has been very different. We did not adopt anything approaching a protective tariff until 1878, or 89 years after protection had been adopted in the United States. Even since 1878, we have had only moderate protection, and we have never been very sure that we would have any protection at all, owing to political agitation and free trade propaganda.

In competing with the United States industrially, we are immediately faced with the disadvantage of confronting a much older, stronger, wealthier, and more firmly established industrial system. It has immense reservoirs of capital which can be applied to enterprises. If a new process is wanted, they can afford to experiment, and if necessary, spend large sums of money in tests until they get what they need. Then they can build huge plants, advertise their products, and endure until a market has been created.

The transportation systems of the United States, on the whole, more firmly established than those of Canada. Individual comparisons between certain railroads will, perhaps, be to our advantage, but on the whole, their transportation system is the older and is better connected with their industrial fabric.

The United States customs regulations also operate to the disadvantage of Canadian exporters, who are embarrassed by the lack of facilities in the United States for the transaction of customs business. On the other hand, in Canada we have customs and ports of entries in interior towns and the road is made easy for the American manufacturer to sell and distribute his goods in Canada.

The United States has also greater labor reserves than there are in Canada. That country has been advertised throughout Europe as the land of liberty and opportunity;

and immigrants have flocked there in millions, thus assuring their manufacturers of a stable and satisfactory volume of labor.

Probably the greatest advantage the United States has possessed over Canada is large scale production. The United States manufacturers are making goods for a protected home market of 105,000,000. Canadian manufacturers are making goods for a home market of 8,000,000.

The United States manufacturers serve the highly concentrated market which results from a huge population. Although the area of Canada is slightly greater than the area of the United States, including Alaska, the population of the United States is over twelve times as great as that of Canada. The result is that the United States manufacturer has his market at his door and saves money on transportation costs. Were it not for the Canadian tariff, United States manufacturers, secure in their own home market, could control ours, flood Canada with surplus goods until Canadian manufacturers were eliminated and then fix what prices they wished.

All these advantages in favor of the United States manufacturers make a handicap which is seriously felt by Canadian manufacturers, even with the aid of the protection which they now receive.

Briefly, we cannot manufacture extensively in Canada at the present age and stage of our industries, unless these industries are given protection against the industries of the United States. We have two choices. We can abolish our tariff and allow the United States to manufacture for us, while we produce raw materials for them, or we can persevere in our determination that Canada shall continue to develop as a manufacturing country as well as an agricultural country.

Most of the advantages possessed by the manufacturers of the United States over Canadian manufacturers are temporary and in time will disappear. There are people who say we cannot fight geography, overlooking the fact that geography has very little to do with nationality. To secure proof of this statement one has only to consider the various countries of South America, mostly of Spanish origin and contiguous in territory, yet separate in nationality; or Europe, where various races are split up into numerous countries, bound together as units by the principle of nationality.

In Europe, there is a well-known saying: "peaceful penetration." Translated, this means the domination of a small country by a big country. The small country, it is true, often keeps the forms of national independence after freedom has departed, and remains bound in fetters of financial and commercial subservience.

The ablest men in the United States have been under no delusion as to the ultimate results of free trade between the United States and Canada. During the reciprocity campaign of 1911, Ex-President Taft and the late Ex-President Roosevelt were agreed that reciprocity would be a good thing for the United States. They wrote confidential letters to each other on the subject; then came the quarrel over the nomination for the Presidency, and the

correspondence was published by Ex-President Taft, on the 25th of April, 1912, at Boston, Mass.

In a letter from Ex-President Taft, to the late Ex-President Roosevelt, the following extract occurs:—

"The amount of Canadian products we would take would produce a current of business between Western Canada and the United States that would make Canada only an adjunct of the United States. It would transfer all their important business to Chicago and New York, with their bank credits and everything else, and it would increase greatly the demand of Canada for our manufactures. I see this is the argument made against reciprocity in Canada, and I think it is a good one."

In his reply, the late Ex-President Roosevelt stated:—

"It seems to me what you purpose to do with Canada is admirable from every standpoint. I firmly believe in free trade with Canada for both economic and political reasons."

Those who do not believe Canadians when they point out the dangers that free trade or a lowering of the tariff would bring to Canada, will, perhaps, believe such men as Ex-President Taft and the late Ex-President Roosevelt.

The above references to the United States are made in a friendly spirit. A certain amount of trade between the two countries is necessary and most desirable. But the people of the United States will appreciate the natural desire of Canadians to promote their own national development, while maintaining with the United States the most cordial relations.

Conservation

For some years the Commission of Conservation has issued repeated warnings that the natural resources of this country are not nearly so great as the popular imagination has conceived. We have been warned that we must conserve and that we must replenish. We cannot continue to take all from nature and to give nothing in return. Still, Canada is one of the few civilized countries in the world that has any considerable natural resources left. The important question is, what are we going to do with them? There are two courses we can pursue. We can plunder these resources and ship the raw or partly finished products out of the country to other countries, which will take these materials, manufacture them and sell them back to us in the shape of finished articles at greatly enhanced prices. The other course is to conserve, to manufacture in Canada not only the preliminary processes, but also the succeeding processes and export the products in a finished state. Under the first plan, for example, we would export our timber. Under the second plan we would manufacture it into highly finished products for domestic and foreign consumption. Under the first plan we could export our ores from the mines at low prices. Under the second plan we could advance these ores through all the stages of manufacture to the final stage, and get proportionate returns. Under the first plan only a limited amount of rough labour would be necessary. Most of the business connected with the processes of further manufacture, affecting banking,

transportation and insurance, would go to enrich other countries, and part of our own population would be forced to emigrate in search of employment. Under the second plan we would carry these processes of manufacturing to the highest stage here, providing employment and creating business. The first plan is free trade. The second plan is protection.

Preferential Tariffs Within the British Empire

It is desirable to emphasize the advisability of establishing customs preferences among all the countries of the British Empire.

In June, 1910, the 5 per cent. war tariff, which has applied since early in 1915, against imported goods produced in British countries was completely removed by Parliament. This 5 per cent. war tariff on British goods was a war-time measure and its removal followed quickly after the termination of hostilities.

The British tariff preferences and exchange conditions unite to encourage importations into Canada from the United Kingdom. Their shipments to us for January, February and March, 1920, respectively, were in each month greater in value than in any previous month in the past history of this Dominion. For over twenty-three years the customs tariff of this Dominion has provided substantial preferences to the products of British countries—averaging one-third lower than the customs duties payable on similar goods of foreign production. Canada was the first British country to adopt the preferential tariff principle. The benefits of this pioneer work will not reach full achievement until the policy is generally adopted throughout the British Dominions. New Zealand is the only country so far that has reciprocated fully the spirit of the Canadian preferential tariff system. British South Africa and certain of the smaller British West Indies have granted minor preferences on a limited list of British products. But the desire to develop and maintain the national ties between British Dominions now seems to be tending surely toward the general adoption of preferential tariffs for British goods. The United Kingdom, in respect to her dutiable schedules, has extended tariff preferences to the products of the British Overseas Dominions, effective September 1st, 1919. The South African Government has announced that its tariff will be revised upward, and recent despatches state that there will be a wider margin of tariff preference for the products of British countries. In announcing the recent tariff changes in the Australian Commonwealth Parliament, the Minister of Customs stated that his Government was taking power to extend the Australian tariff preferences to British Overseas Dominions; and now Jamaica, Ceylon, British Honduras, British India and Malta, which never before expressed encouragement toward the principle of tariff preferences, are engaged upon the study of their schedules with the aim of extending preferences to the products of other British Overseas Dominions.

On the whole, prospects seem bright for the general extension of British preferential tariff systems through-

out British countries. Such an arrangement amongst British Overseas Dominions would correspond with the policy followed between the United States and United States overseas countries, including Cuba. A similar policy is followed toward their respective possessions by France and Italy, and was followed by Germany.

Tariff preferences would overcome the handicaps upon the exports of Canadian products. Import duties as collected in Australia apply upon higher values, in many instances, in respect to shipments from Canada, than upon like shipments from the United States. The tariff of Australia consists largely of percentage duties. These duties are assessed upon the value of imported goods as sold for home consumption at the time and place whence shipment is made directly to Australia, plus freight thence to the port of exit from the exporting country, and the whole plus ten per cent. New Zealand appraises importations similarly for duty purposes. South Africa appraises importations on the same basis, but without adding the ten per cent. The home selling price in Canada is higher on a large number of groups of commodities than the United States home selling price on like goods, caused by our higher manufacturing costs, owing to revenue duties on imported materials, equipment and supplies of a kind not obtainable here. Thus, goods shipped from Canada into such British Overseas Dominions, are assessed duty on a higher valuation than would apply on like goods shipped thereto from the United States. This results in a larger sum in duties being payable on the same goods shipped from Canada than would be payable on the same goods shipped from the United States. But, as already stated, tariff preferences would overcome these handicaps, while allowing each great British State to build up its own self-supporting fiscal system.

Canadian Factories in the War

Shortly after the beginning of the war the Canadian factory system was practically put on a war basis, and munition making was organized. How Canadian factories

succeeded in war manufacturing is illustrated by the following statement from the report issued by the War Cabinet and presented to the Imperial Government. "The manufacturing resources of Canada have been mobilized for war production almost as completely as those of the British Isles." Munition work was done chiefly under the control of the Imperial Munitions Board—which placed orders in Canada amounting to \$1,200,000,000. At the peak of operations between 250,000 and 275,000 workers were employed in making munitions including shells, parts, 64 wooden ships, 44 steel ships and 3,000 aeroplanes. At the same time Canadian factories largely supplied the Canadian people at home and the Canadian army abroad. About half the Canadian army came from the factories and half returned to the factories on demobilization. If we had not built up a factory system and allied business, if our manufacturing and business had been done for us largely by other countries; then Canada could not have sent as many men to the war, could not have supplied shells, ships and aeroplanes, could not have given large financial aid, and could not have absorbed her demobilized soldiers.

Conclusion

In the course of this statement an effort has been made to show that manufacturing in Canada is inseparably connected with other industries; that two million wage-earners and dependents secure their living through manufacturing, and that the most of the remainder of the population derive indirect benefits; that this country as a whole has made remarkable progress under the National Policy of protection; that, with the entire world swinging towards protection, Canada cannot relinquish it; that the revision of the tariff should be scientific and take into consideration the requirements of all classes, that a stable fiscal policy of protection with some assurance of permanence is a vital need; and, finally, that the aim of the fiscal policy, determined as a result of this tariff enquiry, should be to advance Canada towards her destiny as a fully developed nation within the British Empire.

