WHY TARIFFS SHOULD BE HIGH

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FOR over forty years the tariff policy of Canada was based on the protective system. The political parties in power during that time, while they frequently changed the rates of duty imposed by the Canadian Customs tariff, maintained protection to a greater or less degree as the national policy of this country. This could not have been done had not the majority of the people been constantly in favour of that policy.

Since the war the trend of fiscal policies throughout the world has been definitely and increasingly protective in character. Since the Armistice sixty-five countries have increased their tariffs. In nearly all cases the increases have been very substantial, and in some cases almost prohibitive. Our nearest neighbour, the United States, has made two general increases, and now has in force the highest tariff in the history of that country. In Europe the increase has been general. Among British countries Australia is the most outstanding example of a country raising its tariff rates. The United Kingdom, which founded its industrial system by the maintenance of the most rigid protection for over two hundred years before it adopted free trade, was forced by the war to safeguard its industries by imposing tariffs on a long list of articles.

This world-wide increasing of tariffs must have been based on definite national necessities, or it would not have taken place. The reason underlying the movement was a desire on the part of the various countries to reduce the importation of goods which they could produce at home, to build up their own industries, to give preferences to their own farmers and other producers, to furnish employment for their own people, to conserve their own wealth and to secure the necessary additional revenue to balance their budgets. But in Canada, strange to say, the opposite course was taken, and the country has suffered five tariff reductions since the war—in 1919, 1920, 1922, 1923, and 1924. The reason why Canada ran contrary to the rest of the world was political. Protectionists, for various causes, divided into two camps; the free trade and low tariff advocates, by alternately allying themselves with each one of these camps, were able to force tariff reductions as the price of their political support.

On the whole, in the United States, where they raised the tariff, they have had good times. In Canada, where we have reduced the tariff, we have had bad times. In Australia, where they increased the tariff, they have had prosperity. They have balanced their budget, and have been paying off their debt. In Canada we have never balanced our budget since the war, and have added large sums annually to our national indebtedness. Since the first tariff reduction was made in 1919, about 600,000 Canadians have emigrated to the United States according to official figures, and it is well known that many more thousands crossed the line without official recognition.

The farmers, who were promised for years that tariff reductions would increase their prosperity, experienced the hardest years in the history of Canadian agriculture. Statistics show that the failures of manufacturing and mercantile concerns greatly increased. The revenue from the Customs has been falling steadily. Unemployment, in spite of the exodus to the United States, became so widespread and serious that the Dominion Government was forced to call a national conference in Ottawa last September to seek ways and means of providing work for the workless during the coming winter.

During these years frequent and bitter complaints have been heard that the Maritime Provinces are not enjoying the prosperity to which they are entitled. These complaints are well founded, and not only those in the East but also those living in other parts of Canada realize the justice of their case. The Maritime Provinces, like other parts of Canada, are suffering to-day through lack of a proper tariff policy. Had they been suffering from too much tariff protection, conditions would have improved following the tariff reductions made since the war. As a matter of fact, they grew steadily worse with each succeeding cut of the tariff rates. It must be remembered that a reduction or abolition of the tariff rates affecting one industry also affects, indirectly, but seriously, many industries on which the protection has not been reduced.

Take some typical examples from industry at present in the Maritime Provinces. The following is a statement made by Mr. J. E. McLurg, of Sydney, N. S., to the "National Conference Regarding Winter Employment in Canada," held under the auspices of the Dominion Government in Ottawa last September. (See page 61 of the official report.)

> I am Vice-President of the British Empire Steel Corporation, which in normal times employs 22,000 men, most of whom are employed in the province of Nova Scotia. In the year 1922 we

> paid out in wages, irrespective of salaries, $17,692,000. In the year 1923 we paid out in wages, not including salaries, $24,712,000. We operate 24 collieries. We can produce 24,000 tons of coal a day. In the month of July the total production of steel ingots in Canada, according to the Government return, was 52,000 tons. Of that quantity 31,000 tons was produced at our plants in Cape Breton. But our plants are closed down. Our blast furnaces are idle. Our open-hearth furnaces are cold since the 5th day of August, and instead of employing 3,200 men in our steel plant in Sydney we have to-day between six and seven hundred men employed.

The Canadian Government trade returns show that during the twelve months ending March, 1924, Canada imported $36,211,819 worth of rolled iron and steel. During the same period we imported 15,637,812 tons of bituminous coal. If Canada had imposed an adequate tariff on importations of rolled iron and steel and bituminous coal, with the result that the greater part of such importations would have been shut out and the products of Canadian companies used in their place, would employment conditions be to-day as described in the above statement?

Shipbuilding and ship-repairing should be one of the great industries of the Maritime Provinces, but the Customs laws of Canada permit British-built or British-registered vessels to engage in the coastal trade without payment of duty. As shipbuilders in the United Kingdom pay about half the wages which Canadian shipbuilders are forced to pay owing to the high standard of living in Canada, what chance has the shipbuilding industry of the Maritime Provinces to flourish without protection which will equalize the wages paid in the two countries?

Canadian shipbuilders are also subjected to unfair competition from the United States. A ship built in the United States may engage in the Canadian coasting and inland trade on payment of 25 per cent Customs duty, but a ship built in Canada cannot engage in the American coasting trade at all. Vessels participating in the coasting trade of the United States must be built in that country. Under these conditions, shipbuilding and ship-repairing in the Maritime Provinces is languishing. If proper protection were afforded, these great ports would be thriving centres of activity, and would be turning out a considerable part of the ships and repairs required for the Canadian coasting trade, which includes inland navigation.

Under our present tariff laws, the fishing industry of the Maritime Provinces suffers severe handicap. The United States, by its recent tariff increase, practically shuts Canadian fish out of

American markets. If we had a proper tariff against the United States, we could bargain to secure entry for the products of our fisheries.

The boot and shoe industry and the woollen and knitted goods industry of the Maritime Provinces have been seriously affected by greatly increased importations from the United Kingdom, the entrance of which is facilitated by the recently reduced rates of the British preferential tariff. Taking into consideration depreciated currencies, and ocean freight rates, and difference in wages, we find that these industries of the Maritime Provinces have no protection at all. Consequently, they are suffering heavy losses.

These few examples show how the lack of a proper tariff policy is not only preventing industrial development, but is also crippling industries now in existence. The effects, of course, reach much further than the factories. When employees are idle or on part time, they have much less to spend. Retail and wholesale merchants sell them less goods. Landlords get less rent. Municipalities collect less taxes. Banks receive less savings. Doctors, lawyers, and other professional men get smaller fees. Business centres around factories; thus when factories stop or slow down, the whole community suffers from the loss of buying power of wage earners, and also of the purchasing departments which, in prosperous times, buy locally great quantities of materials to be used in manufacturing.

One of the chief problems of the Maritime Provinces is transportation. It is humiliating to Canadians to see Canadian exports and imports passing through Portland and other United States ports instead of through Canadian ports. Our ports are fully equipped with dry docks, harbours and other facilities to handle many times the volume of traffic now passing through them. Surely tariff laws should be so framed as to give preference to all freight entering Canada through Canadian ports, and thus transfer to them overseas importations now entering Canada through United States ports. The Maritime Provinces are handicapped too by the high freight rates over the railways connecting them with central and western Canada. How are these rates to be reduced? One solution is to increase the volume of freight and passenger traffic over Canadian railways. If this greater volume were secured, the rates could be lowered.

Let me illustrate how this can be done. It takes six tons of raw materials to make a ton of steel. When we buy a ton of steel from the United States, our railways get the freight on the single ton only. If the ton of steel is made in Canada, the railways get the freight on the six tons of raw materials which they haul to the

Canadian steel plant, as well as the freight on the single ton of finished material which they haul away. This applies to a great many other industries as well.

Our railways are getting the minimum freight rate for the short haul on finished products from the United States boundary, north, on importations of finished goods. If these goods were made in Canada, our railways would get the haul on the raw materials entering into them, as well as on the finished products. The traffic east and west would increase, and the traffic north and south would decrease. It is obvious that this change would greatly benefit Canadians by increasing their freight and passenger traffic; and the Maritime Provinces would benefit more than other provinces through such an increase, which would automatically decrease freight charges and passenger fares.

The farmers would be greatly benefited by increased industrial activity in the cities, towns and villages. For the United States will not take their cattle, grain, fruit and vegetables. They prefer to buy these things from their own farmers, and take the necessary steps to shut out competing products by the imposition of a high tariff. But with a greatly increased urban population, earning good wages in industrial and other occupations which depend on factories, the farmers would find within a few miles of their farms a steady market for their products. Moreover, if the Canadian tariff were high enough to bargain with, we could open up preferred markets abroad; that is, we could negotiate with other countries to obtain a preference for wheat, fruit, vegetables and other farm products in return for their exports to Canada.

The Maritime Provinces have coal, iron, lumber and other great resources, splendid ports, and an intelligent and industrious population. With such advantages, these provinces should have great industries and continuous prosperity; but the industries which are there now cannot remain in existence if Canada adopts free trade though all other countries in the world operate under high protective tariffs and shut our goods out while dumping their own into this country. What the Maritime Provinces need to-day is a tariff which will permit the development of the resources of these provinces, furnish employment for their people, provide markets for their products and encourage the investment of capital.

I have dealt more particularly with the Maritime Provinces because *The Dalhousie Review* is published in Halifax and, consequently, I presume that a great many of its readers live on our eastern seaboard. But while conditions differ in various places, I believe that adequate protection would benefit other parts of Canada too.

Even under such protection as we had for forty years, our growth in all departments of national activity was continuous. The following figures are taken from the 1924 edition of the *Canada Year Book*, an official publication issued by the Dominion Bureau of Statistics. The first column gives the statistics for the year 1871, that is, the fifth year after Confederation and seven years previous to the establishment of the protective system. In cases where official statistics were not available for 1871, those for the earliest available year are given, and the year indicated in brackets. The second column gives the figures for 1923, or the nearest available year:

ITEM	1871	1923
Estimated population	3,669,287 (No.)	9,146,456
Agriculture—field crops	$194,953,420 (1901)	$891,755,200
Live stock (total value)	268,651,026 (1901)	613,260,000
Dairy products	29,731,922 (1901)	104,972,046 (1922)
Fisheries	7,573,199	41,800,210 (1922)
Minerals (total value)	10,221,255 (1881)	214,102,000
MANUFACTURES—		
Employees	187,942 (No.)	517,141 (1921)
Capital	$ 77,964,020	$3,210,709,288 (1921)
Salaries and Wages	40,851,009	581,402,385 (1921)
Products	221,617,773	2,747,926,675 (1921)
TRADE—		
Exports	$ 57,630,024	$ 931,451,443
Imports	84,214,388	802,465,043
Total	141,844,412	1,733,916,486
STEAM RAILWAYS—		
Miles in operation	2,695 (No.)	39,773 (1922)
Passengers	5,190,416 (No.)	44,383,620 (1922)
Freight	5,670,836 (Tons)	108,530,518 (1922)
CANALS—		
Passengers carried	100,377 (No.)	220,592
Freight	3,955,621 (Tons)	11,199,434
DOMINION FINANCE—		
Revenue	$ 19,335,561	$ 394,614,900
CHARTERED BANKS—		
Deposits	$ 56,287,391	$2,107,606,111

The farmers of Canada need more tariff protection. Immense quantities of farm products are being imported. A recent statement published by the Dominion Bureau of Statistics shows imports into Canada from the United States of commodities of which the basic raw materials are such as Canadian farmers can produce.

quote a few of the most outstanding, giving the figures in round umbers:

Fresh fruits	$5,000,000
Fresh vegetables	2,500,000
Grain	8,230,000
Seeds	1,660,000
Tobacco, unmanufactured	5,600,000

The grand total of such imports from the United States alone is $65,559,000. Why did we buy these articles from the United States farmers? Would it not have been better, from a national point of view, to have bought them from Canadian farmers?

A very practical question may be asked: Why does Canada need a protective tariff to safeguard its manufacturing and farming industries from the competition of other countries?

Competition comes principally from two sources, from European and Asiatic countries where wages are much lower than wages paid in Canada, and from the United States. The following is a comparison of wages paid in Canada and those paid in certain European countries. The wages given are "real wages": that is, the purchasing power of the wages in the countries where they are paid, 100 being the United Kingdom standard:—

Trades	England	Germany	France	Canada
Fitter	100	36	96	195
Iron Moulder	100	35	102	192
Pattern Maker	100	33	123	212
Turner	100	36	102	195
Labourer	100	41	85	136

The other source of competition is the United States. Here the wage question does not enter, because wages in Canada and the United States are fairly equal. Why then do we need protection against the United States?

In the first place, the United States maintains against us a very high tariff. That tariff is designed to shut our goods out; and as soon as we find a market in the United States for our goods, the Government of the United States quickly changes its tariff or regulations so as to exclude them. Secure in their own market, the American manufacturers are in a position to dump their surplus production into Canada, cutting into the Canadian market, reducing the output of Canadian factories, and consequently increasing the unit cost of production in Canada. A proper tariff would guarantee a steady market in Canada for Canadian producers, and would permit them to increase their output and to lower their costs and selling prices. If a factory is to run economically, it should run at full capacity; and if Canadian factories are to run at full capacity, the Canadian market should be secured for Canadians just as the United States market is secured for Americans. The trade between Canada and the United States is all out of balance. The eagle's share is too great.

During the year ending March 31st, 1924, Canada imported from the United States goods worth $601,000,000; during the same period the United States bought from Canada goods worth $441,-000,000. In other words, their population of 110,000,000 bought from us $4 worth of goods per person, while our population of 9,000,000 bought from them $66 worth of goods per person! The reason for this disparity is that the Americans maintain a high tariff against us, and take from us only what they cannot produce themselves, while we maintain a very low tariff against the United States and buy there millions of dollars worth of goods which should be produced by our own factories and farms.

President Coolidge has put the American case tersely:

> Two very important policies have been adopted by this country which, while extending their benefits also in other directions, have been of the utmost importance to the wage earners. One of these is the protective tariff, which enables our people to live according to a better standard and receive a better rate of compensation than any people, at any time, anywhere on earth, ever enjoyed. This saves the American market for the products of the American workmen.

And again:

> We have built agriculture squarely into the structure of our protective system, and the American farmer must not be undersold at home by New Zealand mutton, Argentine beef, Canadian wheat, Danish butter, Bulgarian tobacco, Chinese eggs or Cuban sugar.

For us in Canada the moral is clear. We have our choice. We can scrap our factories, and buy most of our manufactured goods from the United States. In this case, what would be the result to our cities, towns and villages? They would lose most of their population. If the people who are now working in the factories of Canada lose their employment, what could they do, except go to the United States to try to find work? Those who were left would be engaged chiefly in mining, fishing, farming and lumbering. We would sell our raw materials at a low price to the United States for manufacturers there to make up and sell back to us, and this would go on until our forests were cut down, our mines exhausted and our fisheries exploited. Where would we be in the end?

The right tariff policy for Canada would

1. Raise the Customs tariff on imported products which correspond to the products of Canada.
2. Bargain with other countries for preferred markets.
3. Prefer Canadian ports and transportation systems.

This policy would stimulate our own industries, manufacture our own raw materials into finished products for our own use and for export, secure national revenue, give employment to our own people, provide additional freight and passenger traffic for our railways and ships, balance our trade with the United States, maintain a steady market in Canada for the products of Canadian farms, keep Canadians at home, encourage immigration and the investment of capital, and open up a great era of prosperity for all Canada.