1932

Tariff relations between the United States and Canada

Annie Bestwick Mayo
The University of Montana

Follow this and additional works at: https://scholarworks.umt.edu/etd
Let us know how access to this document benefits you.

Recommended Citation
Mayo, Annie Bestwick, "Tariff relations between the United States and Canada" (1932). Graduate Student Theses, Dissertations, & Professional Papers. 5153.
https://scholarworks.umt.edu/etd/5153

This Thesis is brought to you for free and open access by the Graduate School at ScholarWorks at University of Montana. It has been accepted for inclusion in Graduate Student Theses, Dissertations, & Professional Papers by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact scholarworks@mso.umt.edu.
TARIFF RELATIONS
between
THE UNITED STATES AND CANADA

by

Annie Bestwick Mayo

Presented in partial fulfillment of the
requirement for the degree of
Master of Arts

State University of Montana
1932

Approved:

Chairman of Examining Committee

Chairman of Graduate Committee
Introduction

The purpose of this paper is to trace tariff relations between the United States and Canada connecting them with trade and financial affairs. The period from 1900 to 1925 is dealt with more extensively and completely than the earlier period. In covering the period from 1926 to 1931, periodical material was used. This section was included principally to bring the paper up to date.

Tariff relations are of economic and political importance in foreign relations and as affecting relations with our northern neighbor are of particular interest.

Government documents and publications, books on trade and tariffs, The Canadian Annual Review of Public Affairs, and periodical articles were used. All material was obtained at the Library of the University of Montana.
Early Tariff Relations between the United States and Canada

Relations between the United States and Canada are of particular interest due to the social and political similarity of the two countries. Both speak the same language and have had a parallel economic development.

Canada has 20 per cent greater territory than the United States but has less than 8 per cent as large a population. There are 2.24 inhabitants per square mile in Canada, 29.85 in the United States. Fifty-four per cent of Canada's inhabitants are rural; 34.3 per cent of the people gainfully employed are engaged in farming. One fourth of Canada's export is wheat. 1

The question of tariff relations between the United States and Canada has been of importance since 1846. From 1831 to 1843 wheat grown in the United States was permitted to enter Canada free, resulting in the importation of considerable quantities of American wheat to be ground into flour. This flour was then admitted to England at the colonial preferential duty. 2

In 1842, the Canadian duty of three shillings a quarter was levied on grain from the United States. The British

---

1. Reciprocity with Canada, a study of the arrangement of 1911, United States Tariff Commission, (Washington, D. C., 1930), pp. 9 and 11. Figures given by the State Department in 1918.
Government promised that all grain shipped from Canada would be admitted at one shilling instead of the existing rate of from one to five shillings. This favored the Canadian canal system and milling interests.  

The potato famine in Ireland in 1845 caused Robert Peel to oppose the corn-laws. Great Britain changed her tariff policy and lowered the colonial preference on grain until 1849 when it was to disappear. The preference on timber was also lowered. The Canadian depression of 1849 was severe, particularly for the canal and milling interests, and the new trade policy of the mother country was considered partly responsible.  

May 12, 1845, the Canadian House of Assembly agreed to an address to the Queen requesting her to begin negotiations for a reciprocal arrangement between Canada and the United States. The British Government promised aid. 

In 1848, Hamilton Merritt was sent from Canada to the United States to urge a reciprocity measure. Due to his effort, the Grinnell Bill providing for the free admittance into the United States of certain articles from Canada in return for reciprocal action by the Canadian Government was introduced and was before Congress at various times from May 4, 1848, until January 23, 1849, when for the second time

4. Ibid., p. 30.  
5. Ibid., p. 17.  
6. Ibid., p. 19.
it failed to pass the Senate. 7 There was no general interest in Canadian reciprocity in the United States.

The British Parliament, in August, 1846, gave Canada the right to repeal existing duties upon imports from foreign countries. As a result, the Canadian Parliament, by an act of July 28, 1847, lowered duties on American manufactures from $12\frac{1}{2}$ per cent to $7\frac{1}{2}$ per cent and the duty on British manufactures was raised from $5\frac{1}{2}$ per cent to $7\frac{1}{2}$ per cent. 8 This was a Canadian step toward reciprocity.

Canada passed an act on April 25, 1849, admitting free certain raw materials whenever similar articles were admitted free to the United States. 9 The economic situation in Canada was serious; prosperity built on colonial preference had collapsed. It seemed necessary to open the American market.

There was some talk in Canada of annexation to the United States. The business interests wanted access to the United States Markets. Reciprocity with the United States was mentioned in Lord Elgin's earliest speech to the Canadian parliament. He saw that the desire for annexation was commercial, not political, and could best be met by commercial reciprocity. 10

   Tansill, op. cit., pp. 20-23.
8. Tansill, op. cit., p. 23.
10. Canada and Its Provinces, ed. by Adam Shortt, (23 v.,
     Toronto, 1914-1917), V., p. 75.
     Lord Elgin became Governor-General of Canada in 1847.
A bill providing for the admittance of certain Canadian articles free of duty on condition that these same articles be admitted into Canada free was reported to the United States House of Representatives on January 29, 1850. 11 It was complicated by the question of American rights to navigate the St. Lawrence. The bill was discussed but not acted upon. Francis Hincks was sent to Washington in 1851 as a Canadian commissioner to urge an agreement. In spite of his efforts, the Thirty-First Congress took no action. 12

Lord Elgin, Governor-General of Canada, sent a note on June 7, 1851, to Sir. Henry Bulwer, British representative of the negotiations at Washington, saying that Canadian retaliation was likely. Several means were suggested; closing Canadian canals to Americans, a twenty per cent duty on imports from the United States into Canada, the enactment of differential duties to draw trade to Quebec and Montreal, and an appeal to England for duties there against the United States. 13

President Fillmore brought the question of commercial relations with Canada to the attention of Congress in his

11. Tansill, op. cit., p. 32.
annual message of December 2, 1851, but again Congress did nothing. 14

At this time, the question of the rights of American fishing interests in British North American waters was still unsettled. Some Canadians hoped to use it as a means of gaining more favorable trade relations with the United States. In 1852, Great Britain sent ships to aid Canada in the protection of her coasts and rights. A clash between fishers of the United States and the British naval forces seemed probable. 15

President Fillmore in his third annual message delivered on December 6, 1852, called attention to the questions of fishing rights and reciprocity. 16 Bills in the House and in the Senate failed in February, 1853. 17 There was no particular interest in the question. Settlement was postponed until after President Pierce took office when the

14. Messages and Papers of the Presidents, 1789-1897, ed. by James D. Richardson, (Washington, D. C., 1897), V., pp. 118-119. "Your attention is again invited to the question of reciprocal trade between the United States and Canada and other British possessions near our frontier. Overtures for a convention upon this subject have been received from Her Britannic Majesty's minister plenipotentiary, but it seems to be in many respects preferable that the matter should be regulated by reciprocal legislation. Documents are laid before you showing the terms which the British Government is willing to offer and the measures which it may adopt if some arrangement upon this subject shall not be made."

15. Tansill, op. cit., p. 43.
H. Bill 360 and S. Bill 609, 32nd Cong., 2nd sess.
whole affair passed out of the hands of Congress and was taken over by the new Secretary of State, William L. Marcy. 18

Danger of a collision of fishing and naval forces in the St. Lawrence region again threatened. John G. Crampton, British minister at Washington, and Marcy took the question of the relations of the United States and Canada under consideration. There was serious discussion concerning coal on the free list and the registering of British made ships bought by Americans, but both were left out of the project treaty of September 1, 1853. 19

The British Government did not immediately act on the project treaty. The United States sent Israel D. Andrews to Canada as a special agent with a liberal allowance to work for the treaty. A settlement was necessary to harmonious British-American relations. 20

In May, 1854, Lord Elgin, a proponent of the treaty project, was sent to the United States as a Special Commissioner. There he used his diplomacy to get Democratic backing for the bill. The South feared an annexation movement if concessions were not granted to Canada, and therefore favored the measure. Due to Lord Elgin's efforts, the Elgin-Marcy Treaty was signed on June 6, 1854, and was approved by the Senate on August 2nd by a vote of 32 to 11. 21

19. Ibid., pp. 54-62, 82-86.
20. Ibid., pp. 66-78.
See Appendix, p. I.
Between September 23 and December 13, 1854, the Canadian provinces considered and passed the legislation necessary to give the treaty force. Accordingly, it was put into effect on March 16, 1855, by a proclamation of President Pierce on that date. In July, 1855, Newfoundland passed the necessary legislation and the treaty was extended to that territory on December 12, 1855.

The treaty as finally adopted settled the immediate causes of friction between the two countries. Article I concerned American fishing rights in waters of British North America; Article II, British fishing rights in American waters; Article III contained a reciprocal free list; Article IV gave citizens of the United States the right to navigate the St. Lawrence. Canals were to be open on the same basis to citizens of both countries until further notice by Great Britain. British citizens were to have free use of Lake Michigan. There was to be no export duty on lumber cut in Maine, shipped to New Brunswick, and then back to the United States. Article V provided that the treaty should go into effect as soon as necessary laws were passed. It was to last for ten years but could be abrogated on one year's notice. By Article VI, Newfoundland was considered separate, and Article VII required that the treaty be ratified within six months after signing.

22. Richardson, op. cit., V., pp. 325-6.
The canal provisions were the first to be violated. A few years after the signing of the treaty Canada adopted a disguised discrimination by granting a rebate to vessels continuing through to the ocean on the Canadian routes. Irritation over this violation was one of the causes for the eventual abrogation of the treaty by the United States.

Canada, in 1869, was in serious need of revenue and the tariff was raised on manufactured goods. There had been no reciprocity on manufactured goods due to American fear of British goods entering the United States through Canada. Canada had, however, been pursuing a liberal commercial policy toward the United States, and the raised tariff was considered a violation of the spirit of the treaty. Ad valorem duties were levied on the value of goods from place of last shipment, diverting European shipping from New York to Montreal. Protests were made by the legislature of New York "with requests for the enlargement of total abrogation of the treaty." Abrogation was favored by the coal, fish, and lumber interests.

During the Civil War period the United States was hostile toward Great Britain because of the "Alabama in-

24. Reciprocity with Canada, p. 23.
25. Goods shipped from Europe to New York increased in value due to the expense of shipment. When the value of the goods was taken as that of the last place of shipment, goods from European ports shipped direct had the advantage.
incident," and other evidences of Confederate sympathy.

An armed raid upon Vermont was made in December, 1864, from Canada by Confederate sympathizers, and a wave of hostility swept over the United States. Demands were made for abrogation of the treaty and it was terminated by the United States on March, 17, 1866.

Several quotations will serve to show the effect of the treaty and its abrogation.

Exports of domestic merchandise to British North America increased, both absolutely and relatively to total trade, during the continuance of the treaty, and decreased again when the treaty was abrogated. The growth, although steady and marked, was not strikingly great, and the treaty was merely one among many other influences operating both to increase and decrease the volume of trade.

From an average of 3 percent of our total annual imports in the six years before the treaty, imports from British North America increased to over 8 percent while the treaty was in force and declined to 7 percent thereafter. Reciprocity articles formed about 90 percent of this trade during the treaty period, although they had amounted to only a little over two-thirds before that time.

The chief direct result of abrogation in the United States, appears, therefore, to have been on the one hand, to burden the American consumer with duties, as in the case of barley and pine lumber, and on the other to divert from American railways and

27. During the Civil War, the British government had not prevented the building of the Confederate ship "Alabama" in Liverpool nor prevented its sailing from England to engage in hostilities against the United States.
28. Reciprocity with Canada, p. 27.
29. Reciprocity and Commercial Treaties, p. 74.
30. Reciprocity with Canada, p. 25. On page 26 is given an extensive table of Merchandise imports into the United States from British North America.
merchants the business of transporting, handling and re-exporting Canadian produce. 31.

Abrogation of the treaty led to concern in Canada. There were matters of dispute in regard to fishing regulations that might lead to friction between the two countries. In 1867, the Dominion of Canada was created. One author considers this a direct result of abrogation.

There is no doubt that the establishing of Canadian union in 1867 was due primarily to the action of the American Government on the matter of reciprocity, and the hostility which the people of the United States so clearly exhibited. 32.

1866-1890

Though the United States refused to consider a renewal of the treaty, reciprocity remained on the program of both political parties in Canada until 1896. In 1869 the United States gave Canadian proposals no serious consideration, and in 1870, Canada placed duties on coal, salt, grain, flour, and hops. These duties were repealed the following year when it appeared they would have no influence on the American policy. 33 In spite of the rejection of Canadian proposals there was considerable feeling in favor of reciprocity in the United States.

In 1870, Great Britain and the United States agreed to discuss the fishing rights controversy and the Alabama claims question. Canada was willing to make concessions in regard

32. Ibid., pp. 75-76.
33. Ibid., p. 93.
to fisheries in return for limited reciprocity. The Americans preferred to pay a money equivalent.

The Americans rejected a British Proposal for full reciprocity in return for the use of the fisheries. An American offer of one million dollars for the fisheries in perpetuity, and a British proposition for free fish, salt, lumber, coal and reciprocity in the coasting trade were also rejected. The British commissioners next proposed to concede the right to fish inshore for a term of years in exchange for the admission of coal, salt, lumber and fish into the United States. Against this Macdonald formally protested. 34.

The Treaty of Washington, as signed May 8, 1871, provided that the Alabama claims question be left to the Board of Arbitration at Geneva and that the San Juan Islands dispute be referred to the German Emperor. Canadian coastal fisheries were to be open to Americans for ten years, compensation to Canada to be arranged by a Commission. This was later fixed by arbitration at $5,500,000. Americans were to have free navigation of the St. Lawrence River and the Great Lakes and St. Lawrence canals, and Canadians were to have the right of free navigation on Lake Michigan and on certain rivers flowing into the Pacific. Canadians were to have the right to transfer goods in bond through the United States, Americans through Canada. 35

The treaty was accepted in Canada but was not popular. Canadians thought England had not given their interests due consideration.

34. Canada and its Provinces, VI., p. 49. Sir John A. Macdonald was the first Prime Minister of Canada and a leader of the conservative party.  
35. Ibid., p. 50.
The treaty was a bitter disappointment to Canada, where it was felt that England, in disposing of the fisheries and waterways controversies, had thrown away the most effective lever for opening the American market. Macdonald had strenuously opposed it, but he had been voted down by the other British commissioners. 36

In 1874, the Liberals, who favored better trade relations with the United States, came into power. Reciprocity was again under consideration in connection with determining the money compensation provided for in the Treaty of Washington. March 17, 1874, a commission was appointed. George Brown of Canada and Sir. Edward Thornton, British minister at Washington, were to negotiate a treaty of fisheries, commerce, and navigation with the United States. A Tariff Commission publication describes the treaty and its reception thus:

The Canadian commissioners and the Department of State finally concluded a draft of a treaty wherein the free list not only contained the articles which had appeared in the Treaty of 1854, but also, in addition, agricultural implements, boots, shoes, furniture, manufactures of cotton, iron, steel, leather, and wool. But there was included a provision whereby everything made free to the United States was also to be made free to Great Britain; therefore when President Grant sent the draft of the treaty to the Senate and asked for advice, it was returned with the opinion that it was inexpedient to proceed with the matter. 37

John Lewis says:

President Grant sent the treaty to the Senate with a half hearted and non-committal message. It reached the Senate only two days before adjournment, and was returned to the president with the advice that it was inexpedient to proceed with its consideration. 38

35. Reciprocity and Commercial Treaties, p. 94.
36. Ibid., p. 95.
37. Ibid., pp. 266-267.
38. Canada and its Provinces, VI., p 68.
The question of trade relations with Canada was closed for the time being. The Canadian Manufacturers' Association and the Dominion Board of Trade were against the agreement.

The Conservative Party came into power in 1878 on the tariff issue. "Reciprocity of trade or reciprocity of tariffs" was their motto. The tariff of the Budget of 1879 was according to the "National Policy" of protection to Canadian industry. Coal, flour, and pig iron were removed from the free list. Duties were placed at from 20 to 100 per cent. The average rate in 1867 had been 15 per cent and in 1874 was 17½ per cent. The budget also contained an offer of reciprocity in natural products. The depression from 1884 to 1890 encouraged the Liberal agitation for reciprocity.

The settlement of the fisheries question had not been satisfactory to American fishermen. In 1883, the United States gave the necessary notice and on July 1, 1885, the fisheries clauses of the Treaty of Washington were formally abrogated. Friction resulted in the passage by the United States of a non-intercourse act. This act, approved March 3, 1887, provided that the President, whenever he was satisfied that the American fisheries or fishermen were being unjustly vexed or harassed in Canadian waters, could deny

40. Canada and its Provinces, VI., p. 68.
41. Ibid., p. 87.
42. Reciprocity and Commercial Treaties, p. 97.
to Canadian vessels entrance to American ports and could prohibit the entry of any Dominion products. The act was never put into force. 43

The Bayard-Chamberlain Treaty was signed February 17, 1888, but, after a long debate in the Senate, failed. By this treaty the United States Government was to recommend to Congress the passage of the necessary legislation to remove the duties on the fisheries products of Canada and Newfoundland. 44 A temporary settlement of the fisheries question was arranged and extended from year to year.

1890-1900

During the early part of the decade from 1890 to 1900, public opinion in the United States and in Canada was more favorable toward reciprocity. In 1891 the Liberals wanted "unrestricted reciprocity;" the Conservatives emphasized imperial ties, but were not against reciprocity. The latter announced that negotiations with the United States were in progress. In the elections of March 5, 1891, the Conservatives lost ground. Immediately afterwards, annexation by the United States was used by the Conservatives as an argument against reciprocity, and in the by-elections following the general election, they gained votes. 45

---

43. Reciprocity and Commercial Treaties, p. 97.
Senate Bill 3173, 49th Cong., 2nd sess.
House Report 10241, 49th Cong., 2nd sess.
44. Reciprocity and Commercial Treaties, p. 359.
The United States Secretary of State, James G. Blaine, in discussions on Canadian reciprocity in 1892, insisted on some manufactured articles being included in any tariff agreement and also that Great Britain be excluded from the advantages of such an arrangement, so the question was dropped. 46

The Liberal party in 1893 abandoned advocacy of "unrestricted reciprocity," but remained in support of "liberal reciprocity," or limited reciprocity arranged by treaty. Although the Liberal victory in 1896 was largely a matter of personalities, tariff was an issue. Carl Wittke says:

The Tariff was the second major issue of the campaign of 1896, and Laurier decided to tackle this complicated problem by means of a tariff commission which would conduct public hearings in many parts of the country in an effort to determine scientifically the tariff needs of each specific industry. It soon became apparent that, whatever may have been the Liberal promises of lower tariff rates during the campaign, the party did not intend to make radical changes in the protective system now that it was charged with the responsibilities of government. The recent enactment of the Dingley tariff by the United States, the highest since the Civil War, undoubtedly had its effect in convincing Canada that the time for free trade had not yet arrived. 47.

The McKinley Tariff of 1890 raised the average United States rate from 38 per cent to 49.5 per cent. Tariff was a minor issue in the campaign of 1896 and McKinley called a special session of Congress in March, 1897, to revise

the tariff. In July, 1897, the Dingley Tariff was passed raising the ave one to 57 per cent. It contained a provision for increasing import duties upon lumber by an amount equal to the export duty which Canada imposed on logs. This threat caused the Dominion Government to remove the export duties. The resulting advantages were short lived due to the action of the provincial governments.

In 1900 the province of Ontario and later, British Columbia, Quebec, and New Brunswick enacted laws requiring that timber cut on crown lands should be manufactured in Canada.

Trade between Canada and the United States increased in spite of high tariffs. Such increase was probably much less than it would have been had there been no trade barrier.

Canada became more protectionist. W. S. Fielding, Minister of Finance, was against reduction of custom duties. In his budget speech delivered on April 23, 1897, Fielding said that tariff changes must be made with caution and with consideration for existing interests, but that, while he would not meet the Dingley Bill in a retaliatory spirit, he thought Canada "should hold her hand for the present."

49. Reciprocity and Commercial Treaties, p. 365.
50. Canada and its Provinces, VI., p. 132.
Concerning the Canadian tariff, a Tariff Commission publication says:

It is true that the Canadian duties were usually not so high as American, but according to the evidence of the debate in the House of Commons, they were arranged so as to discriminate as far as possible against American imports. 51

The following summary gives the provisions of the Canadian Tariff Act of 1897.

1. Revision and consolidation of various acts on tariff.
2. Nothing in the act was to affect the French Treaty of 1894. Any country granting Canada favorable terms was to receive Schedule D. If the price of any article was unduly high because of a trust, the article was to be placed on the free list.
3. Cancellation of all orders contrary to the act.
4. Act to have effect April 23, 1897.
5. The Governor in Council might grant bounties on certain iron and steel products manufactured for consumption in Canada.
9. Schedule A. was of dutiable goods; B. was a free list; C, was a list of prohibited goods; and D. a provision for reciprocal tariff. 52

By Schedule D, British preference from April, 1897, to June 30, 1898, was to be a one eighth reduction from the general schedule. After the latter date, the reduction was to be one fourth. Reductions were not to apply to liquors, sugar or sugar products, tobacco or tobacco products. 53

The tariff was modified in 1898. 54 The date of changing to the one fourth reduction on British preference was

53. Loc. cit.
extended to August 1, 1898. Schedule B, according to the amendment, provided for a British preferential tariff with a reduction of twenty-five per cent of the ordinary rates to be granted to the genuine products of the United Kingdom, Bermuda, the British West Indies, British Guiana, and other British possessions granting Canada preferential treatment. For other countries giving preferential tariff treatment to Canada, the reduction of one fourth remained.

After British preference had been in force for four months, the Toronto "Mail and Empire" for November 24, 1898, said:

The statement is made unofficially, in explanation of this showing, that the disposition to avail of the benefits of the preferential cut is off set by a tendency on the part of Canadian importers to await the outcome of the present reciprocity negotiations at Washington before transferring orders from the United States to British houses. As for the failure of the preferential tariff to encourage the importation of British as against United States iron and steel, it is candidly enough admitted that even with the 25 per cent advantage, it would be impossible for British manufacturers to compete with Americans in Canadian markets. 55.

Thus at the opening of the Twentieth Century both Canada and the United States had highly protective tariffs. Canada had adopted her tariff policy only after repeated efforts to interest the United States in a liberal commercial agreement.

Tariff Relations During The First Decade of the Twentieth Century

British Preference

The twentieth century opened with high tariffs in both the United States and Canada and with British Preference a principle of Canadian policy.

Preference was discussed in Canada during the early years of the Century. The two main objects in establishing it had been (1) to divert Canadian trade from the United States as a protest against the Dingley tariff and (2) to cultivate closed relations with the mother country. On July 1, 1900 the preference was increased from twenty-five to thirty-three and one third percent of the general schedule.

Imports from both the United States and from Great Britain and increased from 1897 to 1899, the gain for the United States being $31,557,959 and for Great Britain $8,234,812. However, before British preference had been inaugurated, British imports had been decreasing.

While a further increase in the preference was expected to aid British trade, it probably would only slightly check trade with the United States since Great Britain and

the United States did not compete in many branches of Canadian trade. The Canadian loss in tariff on British goods in 1898 was approximately $2,000,000.

Figures quoted from a report of the Canadian Minister of Trade and Commerce for 1901 are of interest in showing the rates on goods imported from the United States and from Great Britain both before and after preferential treatment was granted.

<table>
<thead>
<tr>
<th>Average ad valorem rate of duty on dutiable goods</th>
<th>1897</th>
<th>1901</th>
</tr>
</thead>
<tbody>
<tr>
<td>G. B.</td>
<td>30:693%</td>
<td>24:748%</td>
</tr>
<tr>
<td>U. S.</td>
<td>26:727%</td>
<td>24:835%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average rate on total imports</th>
<th>1897</th>
<th>1901</th>
</tr>
</thead>
<tbody>
<tr>
<td>G. B.</td>
<td>21:106%</td>
<td>18:322%</td>
</tr>
<tr>
<td>U. S.</td>
<td>14:287%</td>
<td>12:424%</td>
</tr>
</tbody>
</table>

Canadian attitude toward preference varies with the interests of the people concerned. The Canadian woolen industry felt the tariff most and the price of woolen fabrics had decreased as a result of Preference. Harlan H. Brush, United States Consul at Niagara Falls, said:

As the imports from the United States last year of wool and manufacturers were only $953,887 against $8,381,147 from Great Britain, it is evident that Canadian manufacturers do not see the particular ad-

4. See above, p. 18.
The Canadian Manufacturers' Association declared in 1903 in favor of a revision of tariffs to protect manufacturing interests and for preference to the mother country. 8

On March 15, 1901, the Legislature of New Brunswick passed the following resolution unanimously.

That it is the opinion of this House that the Province of New Brunswick will be materially benefited in a commercial sense if the present Dominion Tariff Law be so amended that the Preferential clause now applying to British goods imported into Canada shall apply only when such imports are made directly through Canadian ports. 9

The Toronto Board of Trade was not in favor of such a measure. Forcing freight through irregular channels would result in additional time and expense and might be considered as unfriendly legislation by the United States. No action was taken by the Dominion Government. 10

Canada's preferential legislation led to discussion both in Canada and in Great Britain as to whether the mother country should give similar advantages by imposing duties on the products of countries outside of the British Empire. Canadian trade with the United States was increasing more rapidly than that with Great Britain. The British Government, however, was against any change of

9. Ibid., 1901, p. 126.
10. Ibid., 1901, p. 126.
policy. Although Preference had not proved of great commercial value, it had created good will toward Canada in Great Britain.

British Preference, claimed the Canadian manufacturer, increased the competition of the Canadian and British manufacturers and the Americans were cutting prices to meet such competition. The Conservative press and speakers tried to prove that Preference was both useless to the motherland and injurious to Canadian industries. Preference, some claimed, had been annulled by the raising of duties before the change was made.

Reciprocity

Reciprocity was discussed from time to time in both the United States and Canada. W. F. Maclean spoke in the Canadian House of Commons to the effect that Canada was the best market of the United States and advised reciprocal tariff action. The Canadian Prime Minister, Sir. Wilfrid Laurier, speaking at a banquet of the Canadian Manufacturers' Association at Montreal on November 6, 1901, said:

In the past we have sent delegations from Canada to Washington to ask them to give us Reciprocity treaties; we are not sending more delegations there. I should not

11. Canadian Annual Review, 1902, p. 124. A preference that was useless to the mother country would not increase competition.
be surprised now to see us receive at Ottawa delegations from Washington asking us in our turn for Reciprocity treaties, and we shall receive them, in the way Washington has taught us to act, with every possible politeness. 13

On February 24, 1902, John Charlton, a member of the Canadian House of Commons, introduced the following motion:

That this House is of the opinion that the Canadian import duties should be arranged upon the principle of reciprocity in trade conditions as far as may be consistent with Canadian interests; that a rebate of not less than 40 per cent of the amount of duties imposed should be made upon dutiable imports from nations or countries admitting Canadian natural products into their markets free of duty, and that the scale of Canadian duties should be sufficiently high to avoid inflicting injury upon Canadian interests in cases where a rebate of 40 per cent or more shall be made under the conditions aforesaid. 14.

Such an arrangement would merely be a means of bargaining with other countries for trade advantages. Mr. Charlton also favored a high tariff against the United States.

In 1903 there was no general discussion of reciprocity. The United States was in temporary need of coal because of the Anthracite Coal Strike of May to October, 1902, and in January, 1903, a measure passed the Congress of the United States providing for a rebate of duties on coal for one year. There was some discussion in Canada whether or not to reciprocate but no change in the Canadian Tariff was made.

George B. Foster, a member of Parliament, made the following statement on December, 1904.

There is a growing indisposition to set the currents of trade by hard and fast treaties lasting for definite periods and then subject to denunciation by a power which has different national aims and ambitions. The hold thus given to the more powerful participant, the confusion possible from an abrupt closing of the gates, and the consequent necessity for opening new avenues of trade at great trouble and expense create a situation fraught with menace and peril. A Reciprocity which would tend to make us depend on the United States for our manufactured goods, to draw off our great natural products to be finished there, to starve our great lines of railway and our ocean ports, has no powerful claim upon a young, vigorous, and hopeful race of nation builders. 15

Cyrus A. Birge, ex-president of the Canadian Manufacturers' Association said of reciprocity:

We have little or nothing to gain by it and much to lose. Our farmers don't want it as it would not advance their interests. Our merchants don't want it for it would not increase their profits. Our artisans and mechanics don't want it as it would lessen their wages and leave them with less employment. Our manufacturers don't want it as it would open their market for your surplus products and decrease their output. We have enough of this as it is. 16.

The Canadian farmers and agricultural associations, on the other hand, were in favor of better trade relations with the United States. They would gain a market for their surplus products and would have reduced living expenses due to lower prices on manufactured products.

16. Ibid., p. 454.
In the United States there was occasional discussion of reciprocity. At the meeting of the Merchants' Association of New York in 1901 a resolution was passed in favor of this policy. In a speech at Buffalo on September 5, 1901, President McKinley said, "A policy of good will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times, measures of retaliation are not." 17

At the convention of the National Reciprocity League of the United States in Detroit in December, 1902, John Charlton, a member of the Canadian Parliament, said that Canada had ceased to take the initiative. A resolution was passed to urge upon Congress the necessity of favorable commercial relations with Canada. 18 The Furniture Association of America at its annual convention in 1903 declared in favor of reciprocity. In January of the same year, the National Board of Trade at Washington, D. C., passed the following resolution:

Resolved, that the National Board of Trade respectfully petitions the President and the Congress of the United States and the American members of the Anglo-American Joint High Commission, to do all that lies in their respective powers to secure a trade treaty between the two countries upon the broad business principles of reciprocal concessions. Resolved, that as a step in this direction the National Board of Trade favors the measure now before the United

18. Ibid., 1902, p. 183. See above, p. 23.
States authorizing the President to remove the duties on Canadian coal, in return for a similar action by the Dominion of Canada with regard to coal from the United States. 19.

The Republican platform of 1904 favored "....commercial reciprocity, whenever reciprocal arrangements can be effected consistent with the principles of protection without injury to American agriculture, labour, or any American industry." 20 The Democratic platform mentioned Canada in particular. "We favour liberal trade arrangements with Canada, and with peoples of other countries, where they can be entered into with benefit to American agriculture, manufacturing, mining, or commerce." 21 The Democratic text book for 1904 gives the following interesting comparison of duties.

<table>
<thead>
<tr>
<th></th>
<th>U. S.</th>
<th>Canadian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and animals</td>
<td>72.80</td>
<td>26.98</td>
</tr>
<tr>
<td>Crude articles</td>
<td>27.85</td>
<td>22.48</td>
</tr>
<tr>
<td>Manufactured articles for use as materials</td>
<td>25.65</td>
<td>19.78</td>
</tr>
<tr>
<td>Manufactured articles for use as materials</td>
<td>49.22</td>
<td>24.30</td>
</tr>
<tr>
<td>Luxuries</td>
<td>57.47</td>
<td>55.56</td>
</tr>
<tr>
<td>Average rate</td>
<td>49.03</td>
<td>27.13</td>
</tr>
</tbody>
</table>

22

The platform of the Massachusetts Democratic Convention of 1907 made the statement:

21. Ibid., p. 129.
We demand, in particular, free and unrestricted trade with Canada, that the people of New England may enjoy the natural advantages of their geographical position and we believe that our northern neighbors, if properly approached, will still be found willing to meet us half way in negotiating mutually beneficial commercial agreements. 23

At various times there was reference in the United States to annexation, but it was not considered seriously by the people of either country.

Canadian Tariff

Changes in the Canadian tariff may be effected any year by a change presented with the budget, and, under the system of ministerial responsibility, the measure comes into effect immediately, to be accepted or rejected by Parliament. Changes may also be made by an Order in Council. In 1902 various industries, including the Portland Cement Company and the boot and shoe industry, made appeals for protection, but no changes were made. 24

By an Order in Council on February 18, 1902, certain articles entering into manufacturing were to be admitted free. These were help-bleaching compounds for manufacturing rope, silver tubing for silverware, steel for cutlery, yarn and flax for towels, steel castings for scissors, parts of cream separators and articles used in the manufacturing

of machinery. As the price of newsprint was being kept up by a combination of paper manufacturers, the duty was reduced from 25 per cent to 15 per cent on all paper.

By the anti-dumping provision adopted in 1904, goods sold at less than market value were subject to a further duty of one half of the regular duty. A few other amendments regarding certain articles were adopted also.

By the Canadian tariff law, going into effect November 31, 1906, but passing Parliament early in 1907, three separate schedules were arranged instead of set percentage reductions. The new General Tariff had about the same rates as the old. The Intermediate Schedule was about ten per cent under the General Tariff. It was to be used for bargaining purposes. British preferential rates were lowered and were separated from the General Schedule. The free list was somewhat restricted.

Bounties were placed on iron and steel made from Canadian ore. The sur-tax provision of 1903 was retained for retaliation. The Governor in Council was given authority to extend or withdraw the benefit of the British preferential rates or the Intermediate Tariff. A 99 per cent drawback

was granted on coal when imported to be made into coke for smelting purposes.

J. H. Worman, the United States Consul at Three Rivers, Quebec, wrote in May, 1907, that

The high tariff wall proves no barrier to the importation of American Goods. In most lines of goods Americans can still compete successfully. First, because of the close proximity and consequent small expenditure for transportation. Second, because of the promptness with which demands can be met. Third, because of the large facilities for manufacturing for which our country is notable. 29

The public seemed fairly well satisfied with the tariff, M. S. Schell, Liberal member of Parliament, summed up the situation in the House of Commons on March 31, 1908:

It was a tariff in the first place to foster and develop our own industries, protecting them in a legitimate way from undue foreign competition; in the second place it was a tariff which did not unduly hamper trade or bring about an inflation of prices, thus imposing unjust burdens on the great producing classes of our community; it was a tariff in the third place designed to obtain the maximum of duties on imports to our country; and in the fourth place, it was a tariff calculated to encourage trade with those countries willing to trade with us on a reciprocal basis. That was the kind of tariff which the Liberal Government brought down in 1897 and which, with slight changes, has been in operation ever since. 30

29. Canadian Annual Review, 1907, p. 301.
The Canadian Minister of Finance, W. S. Fielding, in his budget speech of 1909 said that stability of tariffs was better for business.

By a convention with France signed in September, 1907, and which went into effect in February, 1910, Canada acquired the rates of the French minimum tariff upon several hundred items in return for her intermediate tariff and for still lower rates on a few items. The results were insignificant but it called world attention to the Intermediate Tariff.

The United States Tariff

In the United States the Dingley Tariff was in force until 1909.

The Secretary of the United States Treasury, L. M. Shaw, decided in 1905 that the United States millers could import Canadian wheat to mix with domestic wheat and then get a drawback when the flour was exported. Attorney-General, Moody, supported the Treasurer's decision and a 99 per cent drawback went into force. The American wheat farmer was opposed to the increased competition resulting from the importation of Canadian wheat. Some persons in Canada, interested in milling, favored an export duty on

32. See above, p.
such wheat, but there was no government action.

President Roosevelt, in his congressional message on December 3, 1907, cited the need for tariff revision, and the Republican National Convention in June, 1908, brought up the tariff question. Their platform said:

The Republican Party declares unequivocally for the revision of the tariff by a special session of Congress immediately following the inauguration of the next President.... In all tariff legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries. 35

The party also favored the principle of a maximum and a minimum tariff. The Democrats favored a general downward revision of tariff.

34. Cong. Record, 42, part 1, 60th Cong., 1st sess, p. 71.
35. Platforms of the two great political parties, p. 157.
36. Platforms of the two great political parties, p. 144.

We welcome the belated promise of tariff reform now offered by the Republican party, as tardy recognition of the righteousness of the Democratic position on this question; but the people cannot safely intrust the execution of this important work to a party which is deeply obligated to the highly protected interests as is the Republican party....We favor immediate revision of the tariff by the reduction of import duties. We demand the immediate repeal of the tariff on wood pulp, print paper, lumber, timber and logs, and that those articles be placed upon the free list.
Taft was elected to the presidency over Bryan by a vote of 321 to 162 in the electoral college, and by a popular vote of 7,680,000 to 6,410,000. In the Senate there were 59 Republicans and 32 Democrats, and in the House, 218 Republicans and 171 Democrats. Taft called attention to tariff revision in his first inaugural address.

The Payne-Aldrich Tariff of 1909 was to have been arranged on the basis of protection equal to the difference between the cost of production at home and abroad plus a reasonable profit. Carried to its logical conclusion such an arrangement would prohibit trade. Instead the usual log rolling methods were used. In the Senate 847 amendments, mostly upward, were added to the bill. It passed the Senate on July 8 by a vote of 45 to 34. It passed both houses as reported from the conference committee.

A congressional committee had recommended that the duties on paper be lowered and pulp be admitted free, but both changes were to be conditional on the repeal of the Canadian export duties. The act as passed provided

37. Reciprocity with Canada, p. 30.
38. Congressional Record, 44, part 1, 61st Cong., Special sess. of Senate, p. 3.
40. Reciprocity with Canada, p. 32.
for additional duties on paper and pulp if Canadian regulations remained unchanged. Lumber on the free list had been defeated by a vote of 198 to 184 in the House, but the rates were reduced. Coal and iron were dutiable, but hides were placed on the free list. 41

Duties on Canadian goods as a whole were only slightly reduced and the general average of all duties was about equal to that of the Dingley Act. Rates had been reduced on many articles of which the United States was primarily an exporter. It was provided that a maximum rate of twenty-five per cent increase over the general schedule could be imposed against countries discriminating against the United States. The President could declare the maximum rates in force when in his opinion there was discrimination. 42

On the basis of the French Treaty giving concessions to France not granted to the United States, it seemed that Canada was subject to the maximum tariff. 43 Canada was ready to fight duty with duty and there was danger of a tariff war. President did not want to open the question by applying the maximum rates and sent a commission to the Dominion.

41. Reciprocity with Canada, p. 31.
42. Ibid., p. 32-33.
43. See above, p. 30.
Professor, Henry C. Emory, Chairman of the United States Tariff Board, and Charles M. Pepper, commercial advisor for the State Department, were received in March, 1910, by Premier Sir. Wilfred Laurier and W. S. Fielding, Minister of Finance. The United States representatives argued that since the United States gave Canada her lowest rates, she should get "most favored nation" treatment. The Canadian representatives said that the concessions to France were for equal concessions. The conference ended without any agreement. 44

President Taft met Fielding at Albany in March, 1910, and assured him of the desire of the United States for better commercial relations. Fielding said that the United States was responsible for the situation and that the Canadian concessions would be few. 45

The United States agreed to the Canadian intermediate rates instead of the general rates on thirteen articles imported from the United States, including tableware, cottonseed oil, leather, perfumery, watch movements, and photographs. None were articles of importance in our export trade to Canada. 46

44. Canadian Annual Review, 1911, p. 23. Reciprocity with Canada, p. 33.
45. Ibid., p. 34.
46. Ibid., p. 34. The value of such articles imported into Canada from the United States was less than $5,000,000 and the loss of revenue to Canada, $200,000.
Although the concessions were slight, the Conservatives opposed them as cowardly. Laurier said such action was necessary to avoid a tariff war. Taussig sums up the situation thus:

Negotiations with Canada led to but the slightest concessions. That Country refused, as already stated, to modify her regulations as to wood pulp, or to make any changes of moment in her general tariff system. Some minor changes were secured, which enabled the administration to make a respectable show of having gained something in the way of lower duties; and a tariff war, which at one time seemed probable, was averted. 47.

47. Taussig, op. cit., p. 405.
The Reciprocity Agreement of 1911

Negotiations

The Reciprocity Agreement of 1911 was an important event in the tariff relations between the United States and Canada. During the conferences in regard to the readjustment of Canadian tariff rates in return for which the United States would not impose her maximum rates, the question of closer commercial relations had been discussed. ¹ Secretary of State, P. C. Knox, wrote to W. S. Fielding, Canadian Minister of Finance, on March 26, 1910.

Let me take this opportunity to express by his direction the desire of the President that your Government will find it convenient to take up with this Government, at such time and in such manner as may be mutually satisfactory, the consideration of a readjustment of our trade relations upon the broader and more liberal lines which should obtain between countries so closely related geographically and racially, as indicated by the President in his recent public utterances. ²

The question of reciprocal trade relations was referred to at various times during 1910 both by persons connected with the government of the United States and with that of Canada as well as by the press.³

In November, 1910, President Taft sent Charles M. Pepper,

---

¹ Reciprocity with Canada, p. 35. Quoted from House of Commons Debates, March 30, 1910. p. 5972.
³ Canadian Annual Review, 1910, p. 621, gives a list of short quotations of various important men and papers referring to reciprocity during the year 1910.
commercial advisor for the State Department, and Henry Martyn Hoyt, counsellor for the Department of State, and J. G. Foster to Ottawa to discuss the tariff problem with W. S. Fielding and William Paterson. The meetings continued from the fourth to the tenth of November, when they adjourned to meet at Washington early in January.

The Toronto Globe stated editorially on November 11.

It is certain that Mr. Fielding and Mr. Paterson will consent to no serious lowering of Canadian duties in return for the free entry of Canadian lumber, ores, wood pulp, and similar things into the United States. The free entry of articles of that sort is almost certain to form part of any tariff measure which can become law in the United States during the next two years, and that without reference to Canada's tariff. The Dominion is not going to pay for United States tariff reductions that would be made as a matter of course and without negotiations.

In his annual message to Congress on December 6, 1910, President Taft said that the American representatives had been sent to Ottawa with instructions to take steps necessary

Canadian Annual Review, 1910, p. 624.
5. Ibid., 1911, p. 24.
Ibid., 1911, p. 24.
to make a trade agreement. The President urged closer trade relations with Canada. 6

The Conferences were resumed in Washington on January 7, 1911. The Canadian agents were W. D. Fielding, Minister of Finance, and William Paterson, Minister of Customs. The

6. Congressional Record, 46, Part 1, 61st Cong., 3rd sess., p. 19. "The policy of broader and closer trade relations with the Dominion of Canada, which was initiated in the adjustment of the maximum and minimum provisions of the tariff act of August, 1910, had proved mutually beneficial. It justifies further efforts for the readjustment of the commercial relations of the two countries so that their commerce may follow the channels natural to contiguous countries, and be commensurate with the steady expansion of trade and industry on both sides of the boundary line. The reciprocation on the part of the Dominion Government of the sentiment which was expressed by this Government was followed in October by the suggestion that it would be glad to have the negotiations, which had been temporarily suspended during the summer, resumed. In accordance with this suggestion of the Secretary of State, by my direction, dispatched two representatives of the Department of State as special commissioners to Ottawa to confer with representatives of the Dominion Government. They were authorized to take such steps for formulating a reciprocal trade agreement as might be necessary and to receive and consider any propositions which the Dominion Government might care to submit. Pursuant to the instructions issued, conferences were held by these commissioners with officials of the Dominion government at Ottawa in the early part of November. The negotiations were conducted on both sides in a spirit of mutual accommodation. The discussion of the common commercial interests of the two countries had for its object a satisfactory basis for a trade arrangement which offers the prospect of a freer interchange for the products of the United States and of Canada. The conferences were adjourned to be resumed in Washington in January, when it is hoped that the aspiration of both Governments for a mutually advantageous measure of reciprocity will be realized.
British Ambassador, James Bryce, cooperated. The Secretary of State, P. C. Knox, took charge for the United States with C. M. Pepper and Chandler P. Anderson of the Treasury Department assisting. 7

Various Canadian ministers joined from time to time in the negotiations; Sir. Allen Aylesworth, Minister of Justice, and L. P. Bordeur, Minister of Marine, who came to consult with the United States authorities on the question of fisheries regulations; G. P. Graham, Minister of Railways, who had business with the Interstate Commerce Commission; and Mackenzie King, Minister of Labour, who was to speak before the Civic Federation. 8 All were indirectly interested in the issue. There was little public interest taken in the subject in either Canada or the United States, but Americans connected with the negotiations were confident of success.

The discussions were oral and informal and, therefore, there is little correspondence. After the agreement was reached, the Canadian commissioners put their understanding of it in a formal letter; Secretary Knox's reply agreed. These two are the only important official documents. 9

---

9. See Appendix, pp XI-XXI.
   Senate Documents, 84, 61st Cong., 3rd sess., Documents relating to Reciprocity with Canada, Serial 5942, pp. 1-10.
President Taft presented the arrangement to Congress with a special message on January 26, 1911, in which he said that all causes of friction with Canada had been settled and the path was open for improved commercial relations. He favored the agreement because it would help conserve our natural resources but he rejected the reduced cost of living argument. He further argued that the agreement opened the Canadian market on more favorable terms and also would be of commercial advantage to Canada. It would promote the friendship of the two states.

The Agreement

The agreement was in the form of four schedules; Schedule A was a free list to be adopted by both countries; Schedule B was a list of articles to be admitted by both countries at identical rates; Schedule C was for Canada and D for the United States.

The agreement was not to be a formal treaty but to be put into effect by concurrent legislation and "it is distinctly understood that we do not attempt to bind for the future action of the United States or the Parliament of Canada, but that each of these authorities shall be absolutely free to

make any change of tariff policy or any matter covered by the present arrangement that may be deemed expedient."  

Schedule A. contained natural products, mostly imported by the United States. Almost all agricultural products except wool were included and fish, unfinished lumber, gypsum, pulp, pulp-wood and paper valued at not more than four cents a pound. A few manufactured articles were mentioned such as cream separators and coke which had entered Canada free before. Iron and steel sheets were also on the free list.

Schedule B. was a list of articles to be admitted by both countries at identical rates, mostly semi-manufactured articles and food stuffs, including meats, canned vegetables, flour, farm machinery, automobiles, leather, miscellaneous manufacturers of iron and steel. These goods were normally imported into Canada from the United States.

Schedule C. was a list of articles to be admitted into the United States at stated rates, as aluminum, shingles, lumber, iron ore, and coal slack.

Schedule D set reduced rates for admittance into Canada

11. See Appendix, p. XII
on trees, peanuts, condensed milk, unsweetened biscuits, canned fruits, coal and cement.

The effect of the arrangement is shown in the following figures based upon Canadian-American trade in 1910.

<table>
<thead>
<tr>
<th></th>
<th>Canadian Imports</th>
<th>United States Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>free</td>
<td>50%</td>
<td>83%</td>
</tr>
<tr>
<td>reduced</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>same</td>
<td>39%</td>
<td>9%</td>
</tr>
<tr>
<td>free</td>
<td>$108,800,000</td>
<td>$78,600,000</td>
</tr>
<tr>
<td>dutiable</td>
<td>108,700,000</td>
<td>16,500,000</td>
</tr>
</tbody>
</table>

By a resolution in the Canadian House on January 26, 1911, Canada promised to extend to Great Britain any reductions in the agreement with United States. The effect, however, would not have been great due to the character of the trade included in the Reciprocity Agreement—mostly bulky and perishable products.

"The arrangement affected nearly one-half of all the imports into the United States from Canada, but only one-fifth of the imports into Canada from the United States. The articles placed upon the free list included more than 40 per cent of the United States imports from Canada and less than 10 per cent of the Canadian imports from the United States. Of the articles placed on the free lists, there had been on the dutiable list in the United States over 76

12. Reciprocity with Canada, pp. 39, 41-45.
13. Reciprocity with Canada, p. 54.
per cent, in Canada less than 17 per cent. The previous United States duties were to remain on less than 5 per cent of the imports from Canada; and the Canadian duties were to remain on more than 35 per cent of the imports from the United States. The Canadian imports from the United States, were, however, of much greater total value than the United States imports from Canada, and the absolute values of the imports to be affected in each direction were almost the same. 15

The Agreement in the United States

President Taft put the Reciprocity Agreement before a Republican majority which favored protection and a Democratic minority which favored lowered duties but opposed the party in power. The Democratic Caucus, however, by a vote of 90 to 22, and later, on a motion presented by Champ Clark, by unanimous vote, passed the following resolution on February 6, 1911.

"Whereas the Canadian Reciprocity Agreement negotiated by the Reciprocity Commission of the Dominion of Canada and the President of the United States, formulated in accordance with the Democratic platform demands, is a reduction of some of the prohibitive schedules in the Payne Tariff law, will tend to expand the trade of the United States in the Dominion of Canada, and is in part a recognition of the principles the Democratic party has contended for in its own platform, therefore, be it resolved, that this Caucus endorse Canadian Reciprocity and bind ourselves to vote for a bill carrying it into effect." 16

---

15. Reciprocity and Commercial Treaties, p. 373.
For further statistical material see:
Reciprocity with Canada, pp. 42-45, 50, 51, 53, 55, 59, 61, 63.
Reciprocity and Commercial Treaties, p. 373.
Senate Documents, 84, 61st Cong., 3rd sess., Serial 5942, pp. 12-73.
The Republicans were divided on the issue.

In the United States the agreement was favored by the manufacturing interests which gained easier access to Canadian markets and lowered duties on incoming raw materials. Those manufacturers with branch establishments in Canada were opposed to the arrangement because it gave equal advantage to their competitors, but on the whole, the manufacturers had nothing to lose and some to gain.

The Farming interests were opposed to reciprocity. They argued that they were at last getting the benefit of protection and this was an attempt to cut their advantage without a proportional cut on duties on manufactured articles.

Farmers of the Central West feared the fall in the price of wheat due to Canadian competition. While the price in Winnipeg was often six to ten cents lower than in Minneapolis, prices within the United States varied by localities from twenty to twenty-five cents. Both Canada and the United States are wheat exporting nations and the

17. "In explanation of this attitude, there may be added to the reason ordinarily attributed for it, that the agreement lowered duties upon raw materials much more than upon manufacturers, the fact that American manufacturers with few exceptions did not fear reductions for their products much more sweeping than those proposed. Their large-scale and efficient production was not threatened by the competition in their own home markets of the smaller Canadian plants. The agreement offered them a chance to compete on slightly better terms for the Canadian field, and at the same time it had some promise of lowering the cost of living for their employees."

Reciprocity with Canada, p. 76.
price of wheat is ultimately sent by world conditions. Lumber interests opposed the measure. The conservation of natural resources argument had been used by President Taft in his message putting the bill before Congress. Ninety-nine per cent of the imports of lumber into the United States came from Canada, while the United States shipped some hardwoods to Canada. Free lumber probably would not reduce prices but might prevent undue rise in the future. The big companies enlisted the aid of the small holders and maintained that the supply of lumber in the United States was in no danger of being depleted. The manufacturers of wood pulp, especially those owning timber lands, opposed the measure. The newspapers favored cheaper paper.

The cost of living argument was brought forward extensively and the advantages of specialization were pointed out. In fact, all the arguments for and against protection in general were used.

18. Reciprocity with Canada, p. 75. Report of Finance Committee in House Documents, 84, 61st Cong., 3rd sess., Serial 5942. The fish and cattle industries were also opposed to reciprocity.
19. See appendix, p. 44.
20. Reciprocity with Canada, p. 68-70.
Acceptance of the Agreement in the United States

Samuel W. McCall introduced a ratification measure into the House of Representatives on January 28, 1911, which was reported back from the Ways and Means Committee on February 21, with a recommendation in favor of its passage. It passed the House on February 14, 1911, by a vote of 221 to 93, 142 Democrats and 79 Republicans supporting it, and 5 Democrats and 88 Republicans opposing it.

The bill was received by the Senate on February 15, and referred to the Finance Committee from which it was reported without recommendation on February 24. Debate proceeded until the close of the session without the bill being passed. President Taft called a special session of the new Sixty-second Congress to consider the measure.

Congress convened April 4, 1911. The House had 228 Democrats and 160 Republicans and the Senate 41 Democrats and 50 Republicans. President Taft in his second message on the Canadian agreement said:

"The agreement in its intent and in its terms was purely economic and commercial. While the general"
subject was under discussion by the Commissioners, I felt assured that the sentiment of the people of the United States was such that they would welcome a measure which would result in an increase of trade on both sides of the boundary line and would open up a reserve of productive resources of Canada to the great mass of our consumers on advantageous conditions and that would, at the same time, offer a broader outlet for the excess products of our farms and of many of our industries. 25

A bill embodying the agreement was reported from the Ways and Means Committee of the House and unanimously recommended. Amendments were voted down because they might obstruct passage in the Senate. 26

April 21, 1911, the bill was passed by a vote of 268 to 89, with 29 not voting. 202 Democrats, 65 Republicans and 1 Socialist upheld the bill and 11 Democrats and 78 Republicans opposed it. 27

The bill was reported in the Senate on June 13 without recommendations. All amendments were rejected and on July 22, 1911, the bill passed the Senate by a vote of 53 to 27, 31 Democrats and 22 Republicans supporting and 3 Democrats and 24 Republicans opposed. July 26, 1911, President Taft signed the bill. 28

27. Ibid., p. 78.

By the committee report, the Root amendment had been recommended. By this the agreement should be inoperative as far as pulp wood, pulp and paper were concerned until export restrictions on pulpwood be removed by the Canadian provinces.
The Agreement in Canada

The Liberal Party in Canada supported the Reciprocity Agreement; the Conservatives opposed it. Several economic reasons were given for opposition to the measure. R. L. Borden, Leader of the Conservatives, argued that such an arrangement was against the conservation of natural resources; Canada would merely feed the industries of the United States and her own manufacturing plants would deteriorate. 29 The railway interests feared that trade would tend to move north and south instead of east and west. The Canadian manufacturers opposed the Reciprocity Agreement believing it would be a wedge in general tariff reduction and that the farmers would buy in the market in which they sold. 30

The insecurity of the duration was used as an argument both for and against the agreement. The Liberals showed that Canada was not permanently bound while the Conservatives pointed out the economic dangers of shifts in trade that would be caused by sudden abrogation.

30. H. S. Patton, "Reciprocity with Canada, the Canadian viewpoint," Quarterly Journal of Economics, August, 1921, pp. 574-595.
Another Conservative argument was that tariff reduction was expected in the United States; the Democrats were gaining power and discontent with tariff was being expressed more often. It was expected that the next tariff would be much lower and Canada would gain as much without paying with concessions. 31

The Grange organizations favored Reciprocity because it would bring them access to the American market and promised them lower living expenses.

Fifteen years of anti-administration sentiment and opposition to the Laurier naval policy were also used as issues in the reciprocity election. Reciprocity was the main campaign question. Annexation speeches of American public men made good material for the Imperialism and National Policy campaign. 32 Reciprocity and loyalty to the empire were declared to be opposed. In vain did the Liberals argue that the agreement was an economic issue and not a matter of loyalty. The Conservatives played on national sentiment to win the election.

31. For extensive arguments on both sides as given in speeches and the press both in Canada and the United States see Canadian Annual Review, 1911, pp. 67-179.
32. Ibid., pp. 61-71.
The annexation references of various people in the United States were fuel for the Conservative campaign. The idea that reciprocity would ultimately lead to annexation was stressed by the Hearst publications and copies were circulated in Canada. President Taft made statements unfortunate for the success of reciprocity. His arguments for conservation of natural resources were used in Canada as an argument against the measure and for Canadian conservation. Most unfortunate was his statement:

The amount of Canadian products that we would take 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 greatly increase the demand of Canada for our manufactures.

The Secretary of State assured Canada of the respect of the people of the United States for their political organization. "The United States recognizes that the Dominion of Canada is a permanent North American political unity and that her autonomy is secure." One side of Canadian reaction is shown by Sir James Whitney, Premier of Ontario.

33. Canadian Annual Review, 1911, pp. 61-71 for many examples.
34. Keenleyside, op. cit., p. 312.
35. Ibid., p. 312, quoted from Walker, The Reciprocity of William H. Taft, p. 15.
36. Ibid., p. 312.
Reciprocity with Canada, p. 84.
There is not an American who does not hope away down in his heart that Canada will some day be part of the United States and feel that reciprocity is the first step in this direction. It is the means by which annexation will be reached most quickly. 37

The leader of the Conservatives, Robert L. Borden, said:

I beg Canadians to cast a soberly considered and serious vote for the preservation of our heritage, for the maintenance of our commercial and political freedom, and for the permanence of Canada as an autonomous nation of the British Empire. 38

The Agreement was introduced into the Canadian House of Commons on the same day as it was to Congress, on January 26, 1911. Debate lasted several months but "obstructive tactics" lead Laurier to appeal to the country and July 29 Parliament was dissolved. 39

A general election was held on September 31. The Conservatives won by a popular vote of 669,000 as against 625,000 for the Liberals. The Conservatives had 133 seats and the Liberals 88. Ontario decided the election for the Conservatives with 73 members of that party and only 13 Liberals. 40 The election ended consideration of reciprocity.

The main reason for the failure of reciprocity in Canada was the "bogie" of annexation, turned into a political issue by the opposing Conservative party.

37. Keenleyside, op. cit., p. 318, quoted from the Grand Forks Gazette, September 15, 1911.
39. Reciprocity with Canada, p. 84.
40. Ibid., p. 84.
Recent Tariff Relations between
the United States and Canada

The Underwood Tariff

The election of 1912 brought Woodrow Wilson to the presidency with a Democratic majority in both houses. The Democratic platform of that year had favored tariff for revenue and opposed the Republican policy which ignored the interests of the farmer.

We favor the immediate downward revision of the existing high and in many cases prohibitive tariff duties, insisting that material reductions be speedily made upon the necessities of life. Articles entering into competition with trust-controlled products and articles of American manufacture which are sold abroad more cheaply than at home should be put upon the free list. 1

President Wilson called a special session of the Sixty-third Congress to meet on April 7, 1913. The President, in a personally delivered message, declared tariff revision to be the first major consideration of Congress. 2

1. Platforms of the two great political parties, p. 167.
   The Republican Party platform for 1912 said: "We hold that the import duties should be high enough, while yielding sufficient revenue, to protect adequately American industries and wages. Some of the existing import duties are too high, and should be reduced. Readjustment should be made from time to time to conform to changing conditions and to reduce excessive rates, but without injury to any American industry. To accomplish this, correct information is indispensable. This information can best be obtained by an expert commission as the large volume of useful facts contained in the recent report of the Tariff Board has demonstrated." Ibid., p. 185.
3. Ibid., pp. 132-133.
Underwood Bill had been prepared previously and was ready for introduction when Congress convened. It was carried though the House unamended in May and passed the Senate in September. The Underwood Tariff was signed by the President on October 3, 1913. 4

This tariff made substantial reductions in duties. Wheat, cattle, corn, potatoes, eggs, fish, lumber, coal, agricultural machinery, salted meat, and flour were admitted free. Reductions were made on many other articles. 5 In the case of wheat, wheat flour, and potatoes the duty was to be removed only in case of reciprocal action.

The Tariff of 1913 suspended the pulp wood division of the Reciprocity act and allowed the unconditional free import from Canada of all wood pulp and printing paper worth not more than two and one half cents a pound. It retained retaliatory duties of 12 per cent plus a contravailing duty equal to the Canadian provincial export duty on paper above the value of two and one half cents a pound. In 1916 Paper worth not more than five cents a pound was

4. Cong. Record, index, 63d Cong., 1st sess., see Import Duties.
   Taussig, op. cit., pp. 409-446, gives a good discussion of the passage of the bill.
5. Reciprocity with Canada, pp. 42-45. See chart of rate comparisons.
   See chart entitled, "Comparison of Tariff acts of 1910, 1913, and 1922."
admitted free and in April, 1920, eight cents was substituted for two years. Imports of printing paper and pulp increased greatly as a result. Maximum and minimum duties were dropped. Additional duties could be imposed by the Secretary of Treasury where any foreign nation granted subsidies for export. By the Underwood Tariff Canada obtained much of what it would have gained by reciprocity. The Canadian Annual Review of Public Affairs for 1913 gives a list of the chief tariff changes of interest to Canada.

Canadian interest in the Tariff of 1913 was not as great as in the 1911 agreement in spite of the fact that they gained practically as much in trade concessions. The

---

6. Reciprocity with Canada, pp. 50-51.
8. Canadian Annual Review, 1913, p. 308. "Canadian popular conditions, business and politics, were all concerned in the important changes enacted by the United States in its tariff during 1913. The Canadian people were not greatly interested in the American party struggle or as to how the changes would affect Democratic or Republican interests but they were concerned in the large general reductions which followed; in the possibility that some effect upon popular fiscal opinion might result from a general freer trade policy on the part of the United States."
9. Ibid., p. 310. On many items the Canadian duties were now higher than those of the United States.
Liberal view is shown by A. G. MacKay in the Edmonton Bulletin for February 6, 1913.

The removal by the United States of the tariff against foodstuffs will be of great benefit to this Province. The value and market price of grain and livestock will immediately rise. The grain producer and stockmen will have additional free market he has so long desired. The increased value and market price of cattle, hogs, etc., will give a tremendous impetus to mixed farming, to which this Province is naturally so well adapted. The increased purchasing power of the farmer will benefit the business men in the town and American settlers now free to reach their accustomed higher 10 markets will flock in thousands to our Western Provinces.

The Conservatives took the "we told you so" attitude. H. M. P. Echart, a financial writer said, "its tendency is to make the cost of living lower in the United States and higher in Canada." There was some demand for lower tariffs in Canada. The Manitoba Grain Growers' Association at their July convention raised a fund of $1,032 to fight for lower tariffs.

The Canadian Council of Agriculture passed tariff resolutions demanding an increase of British preference to 50 percent, and free trade with the mother country in five years. It also asked that any trade concessions granted to any country should also be extended to Great Britain, that Canada accept the Reciprocity Agreement with the United States and that foodstuffs, agricultural implements, lumber

11. Ibid., p. 312.
12. Ibid., p. 292.
and cement be included in the free list.

The Canadian Manufacturers' Association claimed increased manufacturing meant increased markets for the farmers. It advocated increased tariffs on iron, steel, and woolens and was opposed to any lowering of the import duties. 14

War and early post-war tariffs

During the war period, the tariff was overshadowed by other questions. Even the Canadian Manufacturers' Association ceased temporarily to press the tariff issue. By the War Revenew Act of 1915, Canada levied an additional war tax of 5 per cent on "preferential" imports and 7 1/2 per cent on the intermediate and general schedules. In July 1919, the increase was removed for preferential rates and in May, 1920, for others. The free listing of wheat, wheat flour, and potatoes was to take advantage of the conditional exemption of those commodities in the Underwood Act.

In the United States the Democrats in their 1916 platform upheld the Underwood Tariff and declared themselves in

14. Ibid, p. 305. President J. H. Plumber of the Dominion Steel Corporation said, "It is, I think, a lamentable feature that a strong tendency of the iron and steel tariff is to build up secondary industries in Canada, depending upon foreign manufacturers for their raw material."
16. Reciprocity with Canada, pp. 42-45.
17. Patton, op. cit., p. 584.
favor of a non-partisan tariff commission. The Republicans declared the Underwood Tariff a failure because imports had increased in spite of war conditions. They also favored a tariff commission. In September of 1916, the Tariff Commission was formed with F. W. Taussig as Chairman.

In 1918, Canada again began to think of tariff. The Manufacturers' Association favored a tariff board and a general revision of customs duties. The Tariff Committee of the Association drew attention

...(1) to the effect upon Canadian industries of the United States war embargoes, which prohibited the export to Canada of various basic materials indispensable to essential Canadian industries; (2) to the fact that the Canadian Government had remitted duties on importations of various manufactured articles used by the ultimate consumer, whilst leaving duties in force against materials which must be imported for the successful manufacture in Canada of such finished products; (3) to the effect of this and other incidents or conditions as increasing imports from the United States during 1914 and 1918 from 410 to 802 millions while Canadian exports to the United States only grew from 200 to 434 millions. 19

The War Trade Board was created in Canada on February 8, 1918. It was to aid essential industries, to direct the distribution of raw materials, and to cooperate with the War Trade Board of the United States and similar organizations. A system of licensing was adopted and control exercised over Canadian trade. One of the first steps was to place an em-

bargo on non-essential goods from the United States such as boats, perfumery, fruits, paintings, works of art, in order to help the exchange situation. Other action was taken from time to time as required, for instance, on July 18 and on July 27 when, by the request of the United States Government, lists of imports prohibited except under license were published.

The Liberal Party in its convention at Ottawa in August 1919, passed the following resolution:

That the best interests of Canada demand that substantial reductions of the burden of customs taxation be made with a view to the accomplishing of two purposes of the highest importance:

First:-Diminishing the very high cost of living which presses so severely on the masses of the people.
Second:-Reducing the cost of the instruments of production in the industries based on the natural resources.

That the British preference be increased to 50 per cent of the general tariff.

The Progressive tariff policy demanded an immediate and substantial all-round reduction of customs tariff, British preference of 50 per cent with free trade in five years, acceptance of the Reciprocity Agreement of 1911, special committees of Parliament to hear claims, and that foodstuffs, agricultural, farm and house machinery, fuel and lubricating oils be placed on the free list. With both parties, reciprocity with the United States was regarded as a step in

20. Ibid., p. 431.
general tariff reduction.

The Liberal Party came into office by the elections of December, 1921. Progressives, who had made tariff their issue, gained many seats. Sixty-six of the members elected supported the tariff platform of the Canadian Council of Agriculture. There were some reductions in the budget, but a sales tax made up the difference.

Meanwhile in the United States, Congress repealed, with little debate, the Canadian Reciprocity Act of 1911 on October 9, 1919. G. M. Young of North Dakota pointed out that Canada had no reason to pass the Reciprocity Agreement as she had gained practically as much in the Underwood Tariff. The Wood-pulp provision had been reenacted in the Underwood Tariff so it was not affected by the repeal. A committee to investigate the pulpwood sit-

   Some believed the act was still in force, others that it was automatically repealed by the passage of the Underwood Bill.
The Emergency Tariff of 1921

The Republicans came into power in 1920. Their platform said of tariffs:

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. 28

27. House Rept. No. 1039, 66th Cong., 2nd sess. serial 7654. "Your committee has made an exhaustive investigation of the shortage of pulpwood in the United States and finds it largely due to these embargoes which were laid upward of ten years ago, and that with the exception of one or two mills on the Pacific coast, there had not been a paper mill constructed in the United States since these embargoes were laid and no additions built to the present mill. American paper mills had moved into Canada. The embargoes applied only to Crown land, but efforts were being made to apply it also to fee lands. "The testimony also conclusively shows that we must have pulp wood from the Crown lands and these three Dominion provinces, otherwise, our paper mills will eventually be compelled to close down or move into the Dominion of Canada. Canada must have coal, sulphur, kaolin and dyes from the United States or suffer a similar misfortune."

28. Platforms of the two Great Political Parties, p. 249.

The Democratic Platform said: "We reaffirm the traditional policy of the Democratic Party in favor of a tariff for revenue only and we confirm the policy of basing tariff revisions upon intelligent research of a non-partisan commission, rather than upon the demands, of selfish interests temporarily held in obedience." Ibid., p. 220.
Several factors lead to the tariff increase of 1921. First there was the Republican opposition to Democratic policy; second, the feeling of self-sufficiency sponsored by the war; third, the depression of 1920-1921; and fourth, the agitation of the western farmers for protection. The farmers had expanded acreage to meet war demands and were suffering from the resulting overproduction.

On May 27, 1921, the Emergency Tariff was passed imposing high duties upon wheat, corn, meat, wool and sugar. It was to be in effect for six months but was reenacted until the passage of the Forney-McCumber Act.

Lumber was left on the free list because Canadian costs were similar to those in the United States and Canada was in a position to injure American print paper mills by placing

---

   "The impelling force was the severe decline in prices from which the farmers suffered in 1920-21. They were hardest hit by the sharp industrial revulsion which began in the latter part of 1920. The prices of wheat, corn, meats, cotton, suddenly were cut to one half, even to one third of the war figures. The farmers were as helplessly ignorant concerning the cause of this decline as they had been concerning the previous rise. They clamored vociferously for a remedy. Their political representatives hardly less at sea than the rank and file and eager to ferret out some sort of response to their constituents turned to the tariff." p. 4.


   Canadian Annual Review, 1921, p. 147, gives a table of rate changes affecting Canada.
   See Appendix, p. XXII.
a high export duty on wood-pulp. Also it was stated that
95 per cent of the sawmills in British Columbia were owned
and operated by Americans.32

The effect of the United States tariff legislation was
anticipated to be disastrous to the farmers and cattlemen of
Canada. Canadian comment was restrained and there was little
expression of the feeling of hostility shown against preced-
ing tariff increases.33 The Toronto Globe of November 10,
1921, said that "The Emergency Tariff has succeeded in
almost excluding every Canadian farm product except wheat."
On July 1, 1921, the same paper made the statement that,
due to the heavy freight rates, the Canadian wheat-grower
could still afford to sell wheat in the United States and
receive his returns in American funds.34 The ultimate
consumer paid the duty.

Congressman G. E. Young, Republican of North Dakota,
argued that excluding Canadian exports would cause an in-
crease in the disparity of money exchange rates and hurt
trade.35 An Ottawa correspondent of the Financial Times said
that on the basis of 1920 trade figures, nine-tenths of the
total value of Canadian farm exports to the United States
would be affected.36

33. Ibid., p. 146.
34. Ibid., p. 149.
35. Ibid., p. 135.
36. Ibid., p. 149.
The Fordney-McCumber Act

The farmers of the middle west were clamoring for protection and consequently did not check the protectionist movement. The Fordney-McCumber Act was the highest ever passed.

The Ways and Means Committee of the House began hearings on tariff in January, 1921. A bill was introduced to the new Congress on June 29, and passed July 21. The Finance Committee of the Senate held the bill until April, 1922. It was passed on August 19, 1922, and then went to the Conference committee. The amended act became law on September 19, 1922.

The Fordney-McCumber Act was divided into four "titles;"

1. a dutiable list, II. a free list, III. special provisions, and IV. administrative provisions. The aim of the Republican party was to model the tariff after that of 1909. Some rates were taken directly from the 1909 schedule, others varied considerably from it. Ninety-three transfers were made from the free list to the dutiable list.

67th Cong., 1st sess., H. R. 7456.
By the flexible provision of the Tariff of 1922, the Tariff Commission could recommend an increase of a decrease of up to 50 per cent. The president could accept or reject such recommendations. The act provided:

That in order to regulate the foreign commerce of the United States and to put into force and effect the policy of the Congress by this act intended, whenever the President, upon investigation of the differences in the cost of production of articles wholly or in part the growth or product of the United States and of like or similar articles wholly or in part the growth or product of competing foreign countries, shall find it thereby shown that the duties fixed do not equalize the said differences in the cost of production in the United States and the principle competing country he shall by such investigation ascertain said differences and determine and proclaim the changes in classification or increases or decreases in any rate of duty provided in this act shown by said ascertained differences in such costs of production necessary to equalize the same. 41

The Tariff Commission was to conduct such investigations.

The tariff as it particularly affected Canada is shown in a list of rates given in the Canadian Annual Review for 1922. 42 Canada felt that the United States had done her worst. The exports to the United States are now those necessary to United States industry. 43

---

42. Canadian Annual Review, 1922, p. 94. See Appendix, p. XXIII.
44. Marvin, op cit., p. 232. Exports to the United States during the year ending July, 1928, were newsprint,$122 million; woodpulp, $38 million; unmanufactured wood, $75 million; beverages, $24 million; hides, $11 million; and metals, $72 million; or a total of $346 million of the $480 million export to the United States.
An Ottawa correspondent of *The London Economist* said that the new tariff affected 40 per cent of all the exports from Canada to the United States in 1920, or an amount equal to over 25 per cent of the value of all Canadian exports to all countries. 44

Senator Walsh of Montana opposed the bill. In a speech on July 12, 1922, he said:

A duty upon wheat of the rate proposed will, in my opinion, result (1) in lessening the export of all manufactured and food products to Canada; (2) in the reduction in the volume of railway transportation business from Canada to American ports, and a consequent reduction in the ocean traffic from American ports; (3) the loss of mill feed, a valuable by-product of the flour which is greatly demanded by producers of milk and dairy products; (4) a loss to our distributing, elevating and storage interests which would handle this great flood of Canadian wheat; and (5) an indirect loss to the American farmer through the effect of the Canadian floor upon international price levels, which would, in turn, react upon domestic prices. 45

The *London Times* on September 22, 1922, made the following statement.

Eagerly desirous to supply the world's market with American merchandise, the United States is taking steps to make it as difficult as possible to receive payment. ..., The farmer will discover that restrictions on imports must depress the prices obtainable for United States products abroad through scarcity of credits available in the United States to pay for them. 46

Figures for exports from Canada for 1932 will illustrate the trade decrease.

<table>
<thead>
<tr>
<th>Item</th>
<th>Decline in export to the United States</th>
<th>Increase in export to Great Britain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>62,786 head</td>
<td>15,966</td>
</tr>
<tr>
<td>Cheese</td>
<td>23,988 cwt</td>
<td>14,163</td>
</tr>
<tr>
<td>Apples</td>
<td>331,559 bus.</td>
<td>20,469</td>
</tr>
<tr>
<td>Furs</td>
<td>1,382,481 dollars</td>
<td>168,153</td>
</tr>
<tr>
<td>Beef</td>
<td>55,347 cwt</td>
<td>15,316</td>
</tr>
</tbody>
</table>

In 1922 Reciprocity was again discussed in connection with tariff questions. In February the Canadian Minister of Finance, W. S. Fielding, was in Washington and it was rumored that he was sounding the possibilities for a trade agreement. After his return to Ottawa on March 2, Herbert Hoover, Secretary of Commerce, directed the Bureau of Foreign and Domestic Commerce to investigate the products which might be included in a possible reciprocity arrangement. Fielding, in a statement to the Canadian press on March 7, said that no agreement was possible until the Fordney bill was acted upon by the United States Congress.48

47. Canadian Annual Review, 1923, p. 70.
48. Ibid., 1923, p. 91. Fielding in his press statement said: "My visit to the United States was for two purposes. One was to attend to important financial arrangements in New York; the other was to make what I amy call a preliminary inquiry, somewhat informal in character, as to the disposition of leading public men in the United States toward better trade relations between that country and Canada."
Canadian farmers, as always, favored more liberal trade relations with the United States. Sir Edmund Walker in an interview said that any agreement with the United States would be subject to termination by that country without consideration of Canada's interests and therefore was undesirable. 49

During 1923, there was discussion in the United States of an embargo on coal shipped to Canada and in Canada of a retaliatory stoppage of electricity. Neither became matters of legislation. 50

Sir Edmund Walker's statement was: "We couldn't imagine a treaty without the power of the United States to end it, and we have seen enough to know that this would be done without the slightest consideration for us. Such a treaty would result in our methods of production and transportation being adjusted to the market of the United States, if such a market was created, and at the cancellation of such a treaty we should probably be placed at a very great disadvantage."

Quoted from the Montreal Star: "The very fact that it lies within the power of the United States to place an embargo upon coal and thereby cause thousands of the citizens of the Dominion considerable inconvenience, added expense, and possible discomfort, should startle us out of the complacent lethargy into which we have fallen over our own fuel supply. Canada is said to own 17 per cent of the world's fuel supply, which should be enough to satisfy our needs many times over. Instead of this, we are dependent upon a foreign country for our supply."
In the same year, W. S. Fielding asked the Canadian House to grant permission to prohibit the export of pulpwood. Settlers objected fearing the loss of a market for their wood supply. Development of manufacturing in Canada was an object of the proposed embargo. A commission appointed to study the question handed a report in giving both sides but making no recommendations. It said that any action was a matter of government policy. The Canadian Pulp and Paper Association favored an embargo or a graduated export tax, but the Canadian Pulpwood Association was against such measures. No government action was taken.

In 1926 there was a reduction of the automobile tax. Parts not made in Canada were admitted free. The five per cent excise tax was removed on automobiles valued at less that $1,200. Cars 40 per cent Canadian made were entitled to a drawback, a reduction of 10 per cent of valuation. Canadian car manufacturers objected to the changes.

51. Canadian Annual Review, 1923, p. 79, quoted from the Montreal Star of June 27...."It would be no more than a legitimate development of our traditional policy of encouraging home industry if we compelled the manufacture of every stick of Canadian pulpwood into a finished product before it left the country. We surely have a right to rescue our land from the old imputation that it was the home of 'hewers of wood and drawers of water' for the luckier people of the South." Adam Shortt, "Canada's Policy respecting pulpwood," Annals of the American Academy of Political and Social Sciences, March, 1924. The author said that large companies were more careful cutters because of large capital outlay and the permanent interests of the United States required that the resources of Canada be conserved. The United States was the largest purchaser of Canadian wood products.

52. Canadian Annual Review, 1924-5, pp. 82-83.
53. Ibid., 1925-26, pp. 248-249.
Reciprocity was again talked of in Canada in 1927. The Canadian Prime Minister, McKenzie King, suggested a trade agreement but no action was taken.  

The Hawley-Smoot Act.

During the campaign of 1928, tariff was only a minor issue in the United States. Both parties favored protection. President Hoover was in favor of higher duties on agricultural products to help the farmers. He had promised a special session of Congress to consider the agricultural problems. Debate on the tariff measure continued through the special session beginning June, 1929 and lasted until the passage of the Hawley-Smoot Act in June, 1930. The act as passed had few wholehearted supporters. Taussig describes the passage of the bill thus:

"The tariff bill as reported by the Committee to the House contained concessions to the farmer element in the higher duties on agricultural products, but also a

54. "Reciprocity's Ghost Stalks Again," Literary Digest, April 9, 1927, p. 12. "Strange to say, it is hard times among our farmers that seems the chief obstacle in the path of achieving reciprocity, while it is hard times among Canadian farmers that makes it an active issue." The Toronto Globe said: "Mr. Coolidge has been struggling with the farmers of the Middle West ever since he went to Washington, because their products have to compete in the world's markets with the output of countries were costs of production are lower, and he cannot satisfy them. He would hesitate long before permitting Canadian farm products to enter on a lower tariff basis."

55. Platforms of the two great political parties, pp. 298 and 311.

56. Cong. Record, 72, part 12, Index, 71st Cong., 2nd Sess.; See Import Duties.
large number of increases in the rates on other goods—changes sometimes great and sometimes small, sometimes on important articles and again on petty ones. The House itself would not have it so. This and that Representative district felt that fair treatment had not been accorded, and wanted a share in the largesse; and indeed the bill evidently represented no consistent policy, but merely the compromises and concessions within the Committee itself. The House revolted. Amendments were liberally accepted by the Committee, such as to bring about a distribution of favors all around. Everybody got pretty much what he wanted. Constructed in this fashion the bill passed the House and made its way to the Senate. 57.

The Senate made more decreases than increases. The Agricultural interests were still dissatisfied. 58 President Hoover in a message of June 15, 1930, defended his signature on the basis of the flexible clause. 59

The Hawley-Smoot Act, like the Fordney-McCumber Act, was divided into four titles; I a dutiable list, II a free list, III various provisions including the flexible clause, and IV administrative regulations. 60 The duties of the Tariff Commission were also included in Title III. The Commission was empowered to make recommendations on up to 50 per cent increase or decrease and the President was free to accept or reject such recommendations. 61 The bill had an average of about 20 per cent above that of the Fordney-McCumber Bill. 62.

58. Ibid., p. 184.
61. Ibid., p. 476.
Current History said:

But although the Hawley-Smoot bill raised the average rate on agricultural raw materials from 38.10 to 48.42 per cent, it can hardly be termed limited revision. Charges were made in 1,122 rates or 34 per cent of the total. The average rates on manufactures was raised from 31.02 to 34.3. 63

Increases were made on cattle, milk, butter, cream, wheat, lumber, flax, hides, and ores. 64

Canadian Attitude and Tariffs

Immediately after the passage of the Hawley-Smoot Act, Canada made some tariff changes. On June 16, the Canadian Prime Minister, Mackenzie King, said that while Canada desired to maintain friendly economic relations with the United States, the new tariff had forced Canada to increase her duties on certain articles, particularly agricultural products, to the level applied against her. He said an effort would be made to direct trade to Great Britain.

The New Canadian Tariff, according to the Literary Digest for May 24, 1930, did not mention the United States but provided for countervailing duties equal to the scale of duties imposed by any country on Canadian products. The

   Percentages can only be used as rough estimated. Many different systems are used in arriving at the figures of tariff percentages.

64. Berglund, op. cit., p. 472. gives a table comparing some of the rates in 1913, 1922, 1930.

   Literary Digest, May 24, 1930, p. 10.
Minister of Finance said: "This budget is frankly framed to enable us to buy more freely from those countries which buy from us." This provision for raised duties was Canada's answer to the American Tariff.

Tariff was the dominating election issue in Canada in the next election. After the Conservative victory of July 28, 1930, a general horizontal increase was expected. During an emergency session of the Dominion Parliament in September higher rates were placed on 130 items. The measure was passed so that the prime Minister could sail to London by October 1st. Premier Bennett received guarantees of the manufacturers that higher duties would not mean higher prices to the consumers. Mr. Bennett said the revision was to aid the unemployment problem.

66."Canada's War on our tariff," Literary Digest, May 24, 1930.

Some think the increases were mainly for greater effect of Canadian preference at the British Imperial Conference in London in October.

68. Ibid., p. 15.

"Prime Minister Bennett urged his emergency tariff as a remedy for the unemployment and promised that it would not increase prices to the consumer, since the Dominion Government had power, by one very elastic clause in the bill, to reduce or remove any duty if producers should unduly raise their prices."
The tariff on automobiles was raised to give further preference to Canadian cars. *Business Week* stated:

Ottawa correspondence reports that Canadian communities boasting branches of United States motor car factories hailed the new regulations with rejoicing and extra editions of newspapers. Some of these branches were getting ready to shut down and let the parent companies supply the Canadian market from across the line. Studebaker at Windsor announced that it was actually in the closing-out process. General Motors is reported to have intended to pull out with most of their line next summer. 70

Premier Bennett in June, 1931, introduced a budget which included 200 revisions of customs duty. Bounties were put on coal, and the iron and steel tariff was raised so high as to induce foreign factories to establish branches in Canada. Eighty-seven branch factories of various kinds had located in Canada since the Hawley-Smoot tariff had raised an increase to be expected in Canadian duties. There had been a decline of 30.4 per cent in Canadian imports from the United States from 1929 to 1930 and of 20 per cent in exports to the United States. 71 The Liberals objected that the new tariff was

71. J. Bartlet Brebner, "Canada's New Tariff," *Current Histo*., July, 1931, pp. 602-604. The general economic conditions account for much of the decline but the greater decline in imports may be a reflection of tariff.
"Up goes Canada's tariff," *Literary Digest*, June 13, 1931, p. 14. United States Department of Commerce Statement: "Of the commodities of particular interest to the American exporters, the increases in duties include foodstuffs of various types, especially prepared foods; coal, automobiles valued over $1,200, certain structural materials and steel products, particular classes of machinery, household linen, watches and clocks, and toys." Also increased duty on magazines for countries paying general duties.
retaliatory and thus lacking a constructive basis. 72

The Republican party holds that Canada is following our protective system because it had proved so profitable to the United States and that a prosperous Canada means a better market for our goods. The Democrats disagree with them. Most economists agree that artificial barriers are a hindrance to trade.

Dr. Julius Klein, Assistant Secretary of Commerce, believes that the raised tariffs of the world are not directed against the United States; others disagree with him.

Dr. Klein said:

Since the enactment of our tariff act, 25 per cent of the commercially prominent foreign countries have made major changes in their tariff laws (practically all upward), but in this mass of legislation the instances of provable anti-American reprisals are very few. Such readjustments are inevitable in every period of world depression. 74.

Thus at the end of 1931, Canada and the United States both had higher tariffs than at the beginning of the century.

73. "Gestures and Roars over Canada's tariff wall," Literary Digest, June 20, 1931, pp. 10-11.
74. "High words over high tariffs," Literary Digest, June 13, 1931, pp. 5-6.
American Investments in Canada

Industry, tariffs, and investments are closely connected in the commercial and political relations of two countries. The amount of foreign securities sold in any country depends upon both business conditions and international relations. The interrelation of tariffs and investments is evident in the economic relations of the United States and Canada.

Foreign securities sold extensively in the United States between 1900 and 1904 but a relative few were Canadian bond issues. After 1905, bond issues were floated principally from Mexico, Cuba, and Canada. "Canadian securities first acquired volume in 1911. In that and the following two years, $107,944,000 of Canadian securities were offered to American investors." 1 Many of these issues were industrial.

During the war, American capital was welcome in Canada to increase productivity. Canada turned to the United States for floating loans. After April, 1917, the United States Government bought up bond issues of the allied governments. American underwriting of such was unnecessary.

Accordingly, American underwriting of foreign securities receded sharply; and in the last six months of the year (except July, when a $100,000,000 issue of the Dominion of Canada was offered) it was of comparatively minor importance. In fact, such offerings as did occur were largely confined to Canadian municipal and provincial issues, territorial issues, and a number of Canadian corporate floatations. 2

2. Ibid., p. 29.
In April, 1918, by the War Finance Corporation Act, a committee was formed to investigate proposed sales of securities to see whether they complied with public interests. It was not compulsory to submit bond issues, but voluntary cooperation proved adequate.

During the first of 1919 only a British Government bond issue and a few Canadian Government and corporate securities were sold in the United States. The latter part of 1919 and early 1920 was a period of industrial expansion. Canadian stocks and bonds became prominent. One reason was:

The fact that the pound sterling was at a discount during the post-war years, while the American dollar was selling at a 7 to 15 per cent premium, gave further advantage to American investors in Canada—an advantage of which they made full use. ... As early as 1918 it has been estimated that American investors owned approximately 30 per cent of all Canadian industry. 3

1920 ended in an economic depression with a consequent decrease of capital investment. (see chart A) In 1922, there was an increase in the nominal value of securities sold in the United States, but not in the net nominal value. This was probably due to refunding and currency conditions.

From 1924 to 1929 there was a boom in foreign securities. The United States importations of gold, government retirement of debts, credit expansion, and business prosperity all aided the securities market. The underwriting of Canadian securities was the highest in 1929. (charts A. and C.) The

For charts, see Appendix, pp. XXIV-XXVIII.
stock market crash in autumn of 1929 included foreign securities. There are no reliable figures available for the period since 1929.

New York was the post-war money market.

Whereas before the war, Canadian securities were largely offered in London (from 80 to 90 per cent) since 1914 they have been more widely absorbed domestically and in the United States. In the last five years the average amount offered in the United States has been about 46 per cent, domestically 52 per cent, and in Great Britain 2 per cent, and there has been no apparent tendency for Canada to return to London on a large scale for its capital. 4

American investments in Canada are greater than those in any other one country, (chart C) but figures are at best only close estimates. Now Canada is in the borrowing stage of development; eventually exports must increase to repay loans.

The best way to indicate the extent of United States capital in Canada is to give various quotations of amount. Charts A, B, and C are given by the Department of Commerce in Handbook of American underwriting of foreign securities.

Another statement says:

During the three years, 1910-1913 British investments in Canada increased about $775,000,000 or nearly 45 per cent. An even greater rate of increase is to be noted in the flow of American capital into Canadian channels. Whereas the approximate volume of United States investments in Canada amounted in 1909 to $279,000,000, the estimate for 1913 was $637,000,000. This represents an increase of about 127 per cent during the four years. 5


In 1914, American investments in Canada had reached an estimated total of $700,000,000 and in 1920 of $1,300,000,000. 1922 set a new record in American investments in Canada, the total of Canadian bond sales in the United States being over $261,000,000. (compare with chart A.) Harry Collings says:

It is difficult to determine the amount going annually to Canada as bankers who underwrite such issues have customers on both sides of the border and business men in either country do not hesitate to invest in the other. In 1924, Canadian government securities, excluding refunding issues, sold in the United States to a value of $99,000,000 and their corporation securities to about $85,000,000. (compare with chart B.)

Fifty-seven per cent of the total foreign investment in Canada or eleven per cent of Canada’s national wealth is American. According to the Dominion Bureau of Statistics, Canadians own between 55 and 65 per cent of the securities of all enterprises located on Canadian soil and are repurchasing their own securities. On the other hand, Canadians have made investments in the United States. According to one author, Canadian capital in the United States amounts to $874,626,000, or more than one quarter of

---

American investments in Canada. Another writer estimates that on January 1, 1928, Canadian investments in the United States totaled $722,000,000.

There is no agreement as to the relative position of British and American investments in Canada. The Royal Bank of Canada Bulletin estimates that Great Britain still holds the lead, but The Manchester Guardian Commercial estimates American interests at over three times those of Great Britain. The proportion of American investments in Canadian industry is increasing. (charts B, D, and E.) The Literary Digest of May 6, 1922, said:

The Trade and Commerce Department of the Dominion has just published an analysis showing that 34 per cent of the capital of Canadian manufacturing establishments is owned by citizens of the United States, 56 per cent by Canadians, 9 per cent by persons living in Great Britain, and 1 per cent by residents of other countries.

Much of this investment has been by American or part American companies. Chart E gives an estimate of publicaly offered securities to be used for non-domestic purposes. Expansion of American industry in Canada through other than publicaly offered securities has also been extensive.

13. Literary Digest, May 6, 1922, pp. 89-90. See Appendix, pp. XXV-XXVIII.
John L. Bittinger, Consul General in Montreal, in a report on October 22, 1902, gives a list of about twenty-five American industrial enterprises expanding into Canada. He gives a similar list for 1903. These lists are not complete, but indicate the trend. 14 R. W. Dunn claimed in 1925 "that there were 700 branch factories fully owned by parent companies in the United States, and at least 900 other establishments that were partially or completely controlled by American capital." 15 The expansion is not equal in all branches of industry as is shown by the following chart.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investment (in millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal, provincial, municipal gov.</td>
<td>701</td>
</tr>
<tr>
<td>General industries</td>
<td>540</td>
</tr>
<tr>
<td>Railways</td>
<td>370</td>
</tr>
<tr>
<td>Forests, pulp, paper, sawmills</td>
<td>325</td>
</tr>
<tr>
<td>Mining</td>
<td>235</td>
</tr>
<tr>
<td>Public utilities</td>
<td>138</td>
</tr>
<tr>
<td>Land</td>
<td>50</td>
</tr>
<tr>
<td>Banking and insurance</td>
<td>35</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,425</strong></td>
</tr>
</tbody>
</table>

Keenleyside gives a table of figures showing the percentage of capital held in various industries.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage of capital held in</th>
<th>Canada</th>
<th>Great B.</th>
<th>U. S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical apparatus</td>
<td>36</td>
<td>12</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Meat packing</td>
<td>57</td>
<td>0.2</td>
<td>41.4</td>
<td></td>
</tr>
<tr>
<td>Rubber</td>
<td>40</td>
<td>2</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Patent medicines</td>
<td>12</td>
<td>1.8</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>Paint and varnish</td>
<td>44</td>
<td>1.5</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Motor cars</td>
<td>39</td>
<td>--</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Motor car accessories</td>
<td>6.5</td>
<td>--</td>
<td>93.5</td>
<td></td>
</tr>
<tr>
<td>Brass and copper castings</td>
<td>55</td>
<td>--</td>
<td>44.9</td>
<td></td>
</tr>
<tr>
<td>Condensed milk</td>
<td>48.5</td>
<td>0.5</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Refined petroleum</td>
<td>46.7</td>
<td>0.2</td>
<td>53.1</td>
<td></td>
</tr>
<tr>
<td>Sugar</td>
<td>67.2</td>
<td>8.4</td>
<td>17.2</td>
<td></td>
</tr>
<tr>
<td>Pulp and paper</td>
<td>68</td>
<td>4.</td>
<td>24.</td>
<td></td>
</tr>
</tbody>
</table>

There is no agreement as to the importance of tariff regulations in influencing the investment of capital in Canada. After 1897, Canada definitely followed a nationalist program with high tariffs and imperial preference. The Dingley Tariff of the United States was one of the factors in bringing about such a policy. American capital has been investing in Canada during the twentieth century on a large scale, due to both tariff and general economic conditions. A few quotations will illustrate.


Railway cars; Canada, 46 %, United States, 31%

the second:

Agricultural implements; Canada, 58%, United States, 31%.
Arthur Hawkes said, "The development of capital for manufactures in Canada is largely conditioned, if not absolutely governed, by tariffs. The American is here because of tariffs." He also said, "The National Policy that won for Sir John Macdonald the General Election of 1878 produced a tariff that brought American factories to the Canadian side of the border."

Increased investment began after the failure of reciprocity. "Canadian securities first acquired volume in 1911. In that and the following two years, $107,944,000 of Canadian securities were offered to American investors." The failure of the Reciprocity Agreement in Canada and the popular backing of the National Policy made high tariffs a principle of Canadian policy that is likely to remain for some time. This encouraged expansion of American industries in Canada, and partially accounts for the increased investments of 1911, 1912, and 1913.

During the war, other factors outweighed tariff. In 1930 Canada raised her tariff and Business Week said:

"During 1930, 65 American manufacturers completed negotiations for the establishment of branch plants in Canada. Another 15 are seriously contemplating the move. In 1929, at least half of which was a highly

19. Ibid., p. 80.
prosperous year and thus encouraging to expansion, only 50 American manufacturers established themselves in the Dominion." 52 other companies made inquiries. Because American industrial expansion in Canada heretofore has taken place largely in time of prosperity, it is fair to say the tariff is the primary cause for the present rush of manufacturers across the border. 21

Keenleyside sums up the situation:

An important aspect of the American financial investments in Canada is found in the establishment in the Dominion of branch factories of American enterprises. Such a factory enjoys certain very definite advantages; it has free access to the Dominion market, it profits by the British preference, and it benefits from special trade agreements such as between Canada and France. The automobile and similar industries find a further incentive in the fact that the Canadian tariff rate on parts is less than on complete machines, with the result that assembling plants are economically profitable. 22.

The Business Week of October 19, 1929 agrees.

While other factors as transportation costs, Canadian preference for Canadian made goods, and business conditions are important in American industrial investments in Canada, tariffs probably play the major part.

Conclusions

Tariffs, trade and financial relations are closely connected. The United States by its high tariff policy caused Canada to adopt a similar attitude and both countries have continued high tariffs since 1897.

Canada exports more to Great Britain than she imports and imports more from the United States than she exports. Canada is the best customer of the United States; trade with Canada amounting to one eighth of the total international trade of the United States. Yet little consideration has been given to the question of payments in relation to tariffs. Trade, in its final analysis, is a matter of barter. All tariff efforts have been with a view to discourage imports and encourage exports. Canada has paid for imports by exports to other countries and by the invisible imports from the United States—investments. Investment in Canadian industry was directly increased by the tariff barriers of Canada. Ultimately such investments must be repaid. The present tariff policy makes payment difficult.

In most of the arguments concerning trade and tariffs, the advantages of encouraging home production are stressed. The advantages of imports are not given a just place. Imports should also be encouraged. High tariffs ultimately decrease foreign trade (1) by the retaliatory tariffs of other .
countries, and (2) because of the difficulty of buying exchange on a country that is aiming to export much more than it imports.

In our country, due to its extent, the main channels of industry have not been as seriously injured by the tariff system as in a smaller nation. Canada has less extensive diversification of industry. The Canadian farmers needed the United States market more than the United States needed the Canadian markets. In later years the manufacturers of the United States have been more aware to the possibilities of Canada, but now tariff barriers are an established Canadian policy, and branch factories have resulted. The tariff policy of the United States has made Canada more of a manufacturing country than it would have been otherwise.

In Canada, the farmers have kept the tariffs lower than in the United States. The Canadian farmers are better organized: they want cheap manufactures and the consequent lower costs of living. Canada is a food exporting country and the farmers realize that tariffs on food will not help their business and as a result are against too high tariffs on manufactures. 1

1. Harvin, op. cit., pp. 278-229. "The second factor which has tended to reduce Canadian tariffs is that agriculture is sufficiently important in Canada so that the farmer is effectively represented in parliament. The Canadian farmer realizes that as long as he produces more wheat than is consumed in Canada, the Canadian price for wheat will reflect conditions of supply and demand throughout the world. ....he is unwilling to permit Parliament to extend more than a moderate protection to Canadian manufacturing interests."
The United States is also a food exporting country but the farmer believes in the possibilities of protection especially against Canadian competition. One writer said that nowhere were the possibilities of Canada more fully recognized than by the farmers of the United States. Free trade in foodstuffs would be primarily a matter of border convenience for two exporting countries where the ultimate price is set by world markets.

Another interesting comparison of the farmers of the two countries is that it is during depression that the Canadian farmers most want better trade relations with the United States and that the American farmers want protection.

The United States has high tariffs on all except what she must have from Canada. From time to time there has been discussion of embargoes on raw materials leaving Canada, but the only one levied was that of the Provinces on pulp-wood. 2

It is probable that the time will come when exporters will realize that their trade depends on importing and that some tariff reductions will result. The opportunity to see the effects of lower tariff in the United States was lost in 1913 due to war conditions.

2. See above, pp. 16, 32, 53.
The Agreement of 1911 was played up by political parties in both countries but was not of as much economic significance as many believe it. Canada gained by the Underwood Tariff practically all she would have obtained by the agreement. Any reductions in the tariff wall between the two countries is more likely to come from reductions in the general tariff regulations of each country than by a reciprocal agreement or treaty.

Trade has increased in spite of tariff barriers. Each increase in tariff has caused a set back in trade increase. While tariffs have not in the long run decreased trade, they have not allowed the increase or specialization of trade that would have resulted from freer regulations.
ARTICLE 3 OF CANADIAN RECIPROCITY TREATY OF 1854

It is agreed, that the Articles enumerated in the Schedule hereunto annexed, being the growth and produce of the aforesaid British Colonies or the United States, shall be admitted into each Country respectively free of duty:

SCHEDULE

Grain, flour, and breadstuffs of all kinds.
Animals of all kinds.
Fresh, smoked, and salted meats.
Cotton-wool, seeds and vegetables.
Undried fruits, dried fruits.
Fish of all kinds.
Products of fish and of all other creatures living in the water.
Poultry, eggs.
Hides, furs, skins or tails, undressed.
Stone and marble in its crude or unwrought state.
Slate.
Butter, cheese, tallow.
Lard, horns, manures.
Ores of metals of all kinds.
Coal.
Pitch, tar, turpentine, ashes.
Timber and lumber of all kinds, round, hewed, and sawed; unmanufactured in whole or in part.
Firewood.
Plants, shrubs, and trees.
Pelts, wool.
Fish-oil.
Rice, broom-corn, bark.
Gypsum, ground or unground.
Hewn or wrought or unwrought burr or grindstones.
Dye-stuffs.
Unmanufactured tobacco.
Pags.

Tansill, op. cit., p. 90-91.
Reciprocity with Canada, p. 23.
SPECIAL MESSAGE

To the Senate and House of Representatives:

In my annual message of December 6, 1910, I stated that the policy of broader and closer trade relations with the Dominion of Canada, which was initiated in the adjustment of the maximum and minimum provisions of the tariff act of August 5, 1909, has proved mutually beneficial and that it justified further efforts for the readjustment of the commercial relations of the two countries. I also informed you that, by my direction, the Secretary of State had dispatched two representatives of the Department of State as special commissioners to Ottawa to confer with representatives of the Dominion Government, that they were authorized to take steps to formulate a reciprocal trade agreement, and that the Ottawa conferences thus begun, had been adjourned to be resumed in Washington.

On the 7th of the present month two cabinet ministers came to Washington as representatives of the Dominion Government, and the conferences were continued between them and the Secretary of State. The result of the negotiations was that on the 21st instant a reciprocal trade agreement was reached, the text of which is herewith transmitted with accompanying correspondence and other data.
One by one the controversies resulting from the uncertainties which attended the partition of British territory on the American Continent at the close of the Revolution, and which were inevitable under the then conditions, have been eliminated—some by arbitration and some by direct negotiation. The merits of these disputes, many of them extending through a century, need not now be reviewed. They related to the settlement of boundaries, the definition of rights of navigation, the interpretation of treaties, and many other subjects.

Through the friendly sentiments, the energetic efforts, and the broadly patriotic views of successive administrations, and especially of that of my immediate predecessor, all these questions have been settled. The most acute related to the Atlantic fisheries, and this long-standing controversy, after amicable negotiation, was referred to The Hague Tribunal. The judgment of that august international court has been accepted by the people of both countries and a satisfactory agreement in pursuance of the judgment has ended completely the controversy. An equitable arrangement has recently been reached between our Interstate Commerce Commission and the similar body in Canada in regard to through rates on the transporta-
tion lines between the two countries.

The path having been thus opened for the improvement of commercial relations, a reciprocal trade agreement is the logical sequence of all that has been accomplished in disposing of matters of a diplomatic and controversial character. The identity of interest of two peoples linked together by race, language, political institutions, and geographical proximity offers the foundation. The contribution of the industrial advancement of our own country by the migration across the boundary of the thrifty and industrious Canadians of English, Scotch, and French origin is now repaid by the movement of large numbers of our own sturdy farmers to the northwest of Canada, thus giving their labor, their means, and their experience to the development of that section, with its agricultural possibilities.

The guiding motive in seeking adjustment of trade relations between two countries so situated geographically should be to give play to productive forces as far as practicable, regardless of political boundaries. While equivalency should be sought in an arrangement of this character, an exact balance of financial gain is not imperative nor attainable. No yardstick can measure the
benefits to the two peoples of this freer commercial intercourse and no trade agreement should be judged wholly by customhouse statistics.

We have reached a stage in our own development that calls for a statesmanlike and broad view of our future economic status and its requirements. We have drawn upon our natural resources in such a way as to invite attention to their necessary limit. This has properly aroused effort to conserve them, to avoid their waste, and to restrict their use to our necessities. We have so increased in population and in our consumption of food products and the other necessities of life, hitherto supplied largely from our own country, that unless we materially increase our production we can see before us a change in our economic position, from that of a country selling to the world food and natural products of the farm and forest, to one consuming and importing them. Excluding cotton, which is exceptional, a radical change is already shown in our exports in the falling off in the amount of our agricultural products sold abroad and a corresponding marked increase in our manufactures exported. A farsighted policy requires that if we can enlarge our supply of natural resources, and especially of food pro-
ducts and the necessities of life, without substantial injury to any of our producing and manufacturing classes, we should take steps to do so now. We have on the north of us a country contiguous to ours for three thousand miles, with natural resources of the same character as ours which have not been drawn upon as ours have been, and in the development of which the conditions as to wages and character of the wage earner and transportation to market differ but little from those prevailing with us. The difference is not greater than it is between different States of our own country or between different Provinces of the Dominion of Canada. Ought we not, then, to arrange a commercial agreement with Canada, if we can, by which we shall have direct access to her great supply of natural products without an obstructing or prohibitory tariff? This is not a violation of the protective principle, as that has been authoritatively announced by those who uphold it, because that principle does not call for a tariff between this country and one whose conditions as to production, population, and wages are so like ours, and when our common boundary line of three thousand miles in itself must make a radical distinction between our commercial treatment of Canada and of any
other country.

The Dominion has greatly prospered. It has an active, aggressive, and intelligent people. They are coming to the parting of the ways. They must soon decide whether they are to regard themselves as isolated permanently from our markets by a perpetual wall or whether we are to be commercial friends. If we give them reason to take the former view, can we complain if they adopt methods denying access to certain of their natural resources except upon conditions quite unfavorable to us? A notable instance of such a possibility may be seen in the conditions surrounding the supply of pulp wood and the manufacture of print paper, for which we have made a conditional provision in the agreement, believed to be equitable. Should we not now, therefore, before their policy has become too crystallized and fixed for change, meet them in a spirit of real concession, facilitate commerce between the two countries, and thus greatly increase the natural resources available to our people?

I do not wish to hold out the prospect that the unrestricted interchange of food products will greatly and at once reduce their cost to the people of this country.
Moreover, the present small amount of Canadian surplus for export as compared with that of our own production and consumption would make the reduction gradual. Excluding the element of transportation, the price of staple food products, especially of cereals, is much the same the world over, and the recent increase in price has been the result of a world-wide cause. But a source of supply as near as Canada would certainly help to prevent speculative fluctuations, would steady local price movements, and would postpone the effect of a further world increase in the price of leading commodities entering into the cost of living, if that be inevitable.

In the reciprocal trade agreement numerous additions are made to the free list. These include not only food commodities, such as cattle, fish, wheat and other grains, fresh vegetables, fruits, and dairy products, but also rough lumber and raw materials useful to our own industries. Free lumber we ought to have. By giving our people access to Canadian forests we shall reduce the consumption of our own, which, in the hands of comparatively few owners, now have a value that requires the enlargement of our available timber resources.

Natural, and especially food, products being placed
on the free list, the logical development of a policy of reciprocity in rates on secondary food products, or foodstuffs partly manufactured, is, where they cannot also be entirely exempted from duty, to lower the duties in accord with the exemption of the raw material from duty. This has been followed in the trade agreement which has been negotiated. As an example, wheat is made free and the rate on flour is equalized on a lower basis. In the same way, live animals being made free, the duties on fresh meats and on secondary meat products and on canned meats are substantially lowered. Fresh fruits and vegetables being placed on the free list, the duties on canned goods of these classes are reduced.

Both countries in their industrial development have to meet the competition of lower priced labor in other parts of the world. Both follow the policy of encouraging the development of home industries by protective duties within reasonable limits. This has made it difficult to extend the principle of reciprocal rates to many manufactured commodities, but after much negotiation and effort we have succeeded in doing so in various and important instances.

The benefit to our widespread agricultural imple-
ment industry from the reduction of Canadian duties in
the agreement is clear...  

Reciprocity with Canada must necessarily be chiefly
confined in its effect on the cost of living to food and
forest products. The question of the cost of clothing
as affected by duty on textiles and their raw materials,
so much mooted, is not within the scope of an agreement
with Canada, because she raises comparatively few wool
sheep, and her textile manufactures are unimportant.

She has cost us nothing in the way of preparations
for defense against her possible assault, and she never
will. She has sought to agree with us quickly when dif­
f erences have disturbed our relations. She shares with
us common traditions and aspirations. I feel I have cor­
crectly interpreted the wish of the American people by ex­
pressing in the arrangement now submitted to Congress for
its approval, their desire for a more intimate and cordial
relationship with Canada. I therefore earnestly hope that
the measure will be promptly enacted into law.

Wm. H. Taft.
The White House, January 26, 1911.
LETTER FROM THE CANADIAN MINISTERS TO
THE SECRETARY OF STATE

Washington, January 21st, 1911.

Dear Mr. Secretary:

1. The negotiations initiated by the President sev­
eral months ago, through your communication to His
Excellency the British Ambassador, respecting a reciprocal
tariff arrangement between the United States and Canada,
and since carried on directly between representatives of
the Governments of the two countries, have now, we are
happy to say, reached a stage which gives reasonable as­
surance of a conclusion satisfactory to both countries.

2. We desire to set forth what we understand to be
the contemplated arrangement and to ask you to confirm it.

3. It is agreed that the desired tariff changes shall
not take the formal shape of a treaty, but that the Govern­
ments of the two countries will use their utmost efforts to
bring about such changes by concurrent legislation at Wash­
ington and Ottawa.

4. The Governments of the two countries having made
this agreement from the conviction that, if confirmed by
the necessary legislative authorities, it will benefit the
people on both sides of the border line, we may reasonably
hope and expect that the arrangement, if so confirmed, will remain in operation for a considerable period. Only this expectation on the part of both Governments would justify the time and labour that have been employed in the maturing of the proposed measures. Nevertheless, it is distinctly understood that we do not attempt to bind for the future the action of the United States Congress or the Parliament of Canada, but that each of these authorities shall be absolutely free to make any change of tariff policy or of any other matter covered by the present arrangement that may be deemed expedient. We look for the continuance of the arrangement, not because either party is bound to it, but because of our conviction that the more liberal trade policy thus to be established will be viewed by the people of the United States and Canada as one which will strengthen the friendly relations now happily prevailing and promote the commercial interests of both countries.

5. As respects a considerable list of articles produced in both countries, we have been able to agree that they shall be reciprocally free. A list of the articles to be admitted free of duty into the United States when imported from Canada, and into Canada when imported from
the United States, is set forth in Schedule A.

6. As respects another group of articles, we have been able to agree upon common rates of duty to be applied to such articles when imported into the United States from Canada or into Canada from the United States. A list of these articles, with the rates of duty, is set forth in Schedule B.

7. In a few instances it has been found that the adoption of a common rate will be inconvenient and therefore exceptions have to be made.

8. Schedule C specified articles upon which the United States will levy the rates therein set forth when such articles are imported from Canada.

9. Schedule D specifies articles upon which Canada will levy the rates therein set forth when such articles are imported from the United States.

10. With respect to the discussions that have taken place concerning the duties upon the several grades of pulp, printing paper, etc.—mechanically ground wood pulp, chemical wood pulp, bleached and unbleached, news printing paper and other printing paper and board made from wood pulp, of the value not exceeding four cents per pound at the place of shipment—we note that you desire to provide that such
articles from Canada shall be made free of duty in the United States only upon certain conditions respecting the shipment of pulp wood from Canada. It is necessary that we should point out that this is a matter in which we are not in a position to make any agreement. The restrictions at present existing in Canada are of a Provincial character. They have been adopted by several of the Provinces with regard to what are believed to be Provincial interests. We have neither the right nor the desire to interfere with the Provincial authorities in the free exercise of their constitutional powers in the administration of their public lands. The provisions you are proposing to make respecting the conditions upon which these classes of pulp and paper may be imported into the United States free of duty must necessarily be for the present inoperative. Whether the Provincial Governments will desire to in any way modify their regulations with a view to securing the free admission of pulp and paper from their Provinces into the market of the United States must be a question for the Provincial authorities to decide. In the meantime, the present duties on pulp and paper imported from the United States into Canada will remain. Whenever pulp and paper of the classes already mentioned are admitted into the
United States free of duty from all parts of Canada, then
similar articles, when imported from the United States,
shall be admitted into Canada free of duty.

11. The tariff changes proposed might not alone be
sufficient to fully bring about the more favourable con-
ditions which both parties desire. It is conceivable that
Customs regulations which are deemed essential in some
cases might operate unfavourably upon the trade between
the United States and Canada and that such regulations, if
made without due regard to the special conditions of the
two countries, might to some extent defeat and good purpose
of the present arrangement. It is agreed that the utmost
care shall be taken by both Governments to see that only
such Customs regulations are adopted as are reasonably
necessary for the protection of the treasury against fraud;
that no regulation shall be made or maintained which un-
reasonably hampers the more liberal exchange of commodities
now proposed; that representations on either side as to
the unfavourable operation of any regulation will receive
from the other all due consideration, with the earnest
purpose of removing any just cause of complaint; and that,
if any further legislation is found necessary to enable
either Government to carry out the purpose of this pro-
vision, such legislation will be sought from Congress or Parliament as the case may be.

12. The Government of Canada agree that, until otherwise determined by them, the licenses hitherto issued to United States fishing vessels under the provisions of Section 3 of Chapter 47 of the Revised Statutes of Canada, granting to such vessels certain privileges on the Atlantic coast of Canada shall continue to be issued and that the fee to be paid to the Government of Canada for such license by the owner or commander of any such United States vessel shall hereafter be one dollar per annum.

13. It is understood that upon a day and hour to be agreed upon between the two Governments the President of the United States will communicate to Congress the conclusions now reached and recommend the adoption of such legislation as may be necessary on the part of the United States to give effect to the proposed arrangement.

14. It is understood that simultaneously with the sending of such communication to the United States Congress by the President, the Canadian Government will communicate to the Parliament of Canada the conclusions now reached and will thereupon take the necessary steps to procure such legislation as is required to give effect to the
proposed arrangement.

15. Such legislation on the part of the United States may contain a provision that it shall not come into operation until the United States Government are assured the corresponding legislation has been or will be passed by the Parliament of Canada; and in like manner the legislation on the part of Canada may contain a provision that it shall not come into operation until the Government of Canada are assured that corresponding legislation has been passed or will be passed by the Congress of the United States.

Yours faithfully,

W. S. Fielding.

Wm. Paterson.

The Honorable P. C. Knox,

Secretary of State, Washington, D. C.
REPLY OF THE SECRETARY OF STATE.

Washington, January 21, 1911.

The Honorable W. S. Fielding and
The Honorable William Paterson,
Washington.

Gentlemen: I have the honor to acknowledge the receipt of your communication of this date in relation to the negotiations initiated by the President several months ago for a reciprocal trade arrangement between the United States and Canada, in which you set forth and ask me to confirm your understanding of the results of our recent conferences in continuation of these negotiations.

I take great pleasure in replying that your statement of the proposed arrangement is entirely in accord with my understanding of it.

It is a matter of some regret on our part that we have been unable to adjust our differences on the subject of wood pulp, pulp wood and print paper. We recognize the difficulties to which you refer growing out of the nature of the relation between the Dominion and Provincial Governments, and for the present we must be content with the conditional arrangement which has been proposed in Schedule A attached to your letter.
I fully appreciate the importance, to which you call attention, of not permitting a too rigid customs administration to interfere with the successful operation of our agreement, if it is approved by the Congress of the United States and the Parliament of Canada, and I desire to confirm your statement of our understanding on this point. I am satisfied that the spirit evinced on both sides gives assurance that every effort will be made to secure the full measure of benefit which is contemplated in entering into this arrangement.

The assurance that you give that the Dominion Government proposed to require only a nominal fee from the fishing vessels of the United States for the privileges in Canadian waters for which heretofore a charge of $1.50 per ton for each vessel has been required is most gratifying.

I heartily concur in your statement of the purposes inspiring the negotiations and in the views expressed by you as to the mutual benefits to be derived by both countries in the event our work is confirmed, and I take this opportunity to assure you, on behalf of the President, of his appreciation of the cordial spirit in which you have met us in these negotiations.

I have the honor to be, Gentlemen, your obedient
servant,

P. C. Knox.
ACKNOWLEDGMENT OF THE CANADIAN MINISTERS.

Washington, D. C., January 21st, 1911.

Dear Mr. Secretary: We have received with much satisfaction your letter of this date in which you have confirmed our understanding of the arrangement which is being made between us respecting trade relations between the United States and Canada.

In bringing the negotiations to a close permit us to express our warmest appreciation of the spirit in which the whole subject has been dealt with by the President and yourself and of the unvarying courtesy which we have received in Washington from all the officials of your Government with whom we have been brought in contact.

Yours faithfully,

W. S. Fielding.

Wm. Paterson.

The Honourable P. C. Knox,

Secretary of State, Washington, D. C.
<table>
<thead>
<tr>
<th>Commodity</th>
<th>Old Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>Free</td>
<td>35¢ per bus.</td>
</tr>
<tr>
<td>Wheat flour and Seminola</td>
<td>Free</td>
<td>20% ad val.</td>
</tr>
<tr>
<td>Flaxseed</td>
<td>20¢ per bus.</td>
<td>30¢ per bus.</td>
</tr>
<tr>
<td>Corn</td>
<td>Free</td>
<td>15¢ per bus.</td>
</tr>
<tr>
<td>Beans, not specially provided for</td>
<td>25¢ per bus.</td>
<td>2¢ per bus.</td>
</tr>
<tr>
<td>Potatoes</td>
<td>Free</td>
<td>25¢ per bus.</td>
</tr>
<tr>
<td>Onions</td>
<td>20¢ per bus.</td>
<td>40¢ per bus.</td>
</tr>
<tr>
<td>Cattle</td>
<td>10% ad val.</td>
<td>30% ad val.</td>
</tr>
<tr>
<td>Sheep</td>
<td>10% ad val.</td>
<td>$1-$2 per head</td>
</tr>
<tr>
<td>Fresh or frozen beef, veal, mutton, lamb and pork</td>
<td>Free</td>
<td>2¢ per lb.</td>
</tr>
<tr>
<td>Meat not specially provided for</td>
<td>Free</td>
<td>25% ad val.</td>
</tr>
<tr>
<td>Wool</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unwashed</td>
<td>Free</td>
<td>15¢ per lb.</td>
</tr>
<tr>
<td>Washed</td>
<td>Free</td>
<td>30¢ per lb.</td>
</tr>
<tr>
<td>Scoured</td>
<td>Free</td>
<td>45¢ per lb.</td>
</tr>
<tr>
<td>Woolen Manufactures</td>
<td>Various</td>
<td>45¢ per lb. add’l.</td>
</tr>
<tr>
<td>Butter &amp; substitutes</td>
<td>22¢ per lb.</td>
<td>6¢ per lb.</td>
</tr>
<tr>
<td>Cheese &amp; substitutes</td>
<td>20% ad val.</td>
<td>23% ad val.</td>
</tr>
<tr>
<td>Fresh Milk</td>
<td>Free</td>
<td>2¢ per gal.</td>
</tr>
<tr>
<td>Cream</td>
<td>Free</td>
<td>5¢ per gal.</td>
</tr>
<tr>
<td>Condensed milk</td>
<td>Free</td>
<td>3¢ per gal.</td>
</tr>
<tr>
<td>Sugar of milk</td>
<td>Free</td>
<td>5¢ per lb.</td>
</tr>
<tr>
<td>Wrapper tobacco:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>if unstemmed</td>
<td>$1.85 per lb.</td>
<td>$2.35 per lb.</td>
</tr>
<tr>
<td>if stemmed</td>
<td>$2.50 per lb.</td>
<td>$3.00 per lb.</td>
</tr>
<tr>
<td>Apples</td>
<td>10¢ per bus.</td>
<td>30¢ per bus.</td>
</tr>
<tr>
<td>Cherries</td>
<td>10¢ per bus.</td>
<td>3¢ per lb.</td>
</tr>
<tr>
<td></td>
<td>1¢ a lb. or free</td>
<td></td>
</tr>
</tbody>
</table>

For complete schedules see Dictionary of Tariff Information, United States Tariff Commission, (Washington, D. C., 1924)
<table>
<thead>
<tr>
<th>Item</th>
<th>New Tariff</th>
<th>1913 Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>$\frac{1}{2}$ to 2¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Sheep</td>
<td>$\frac{1}{2}$ a head</td>
<td>Free</td>
</tr>
<tr>
<td>Hogs</td>
<td>2¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Milk, fresh</td>
<td>2¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Milk, condensed</td>
<td>1¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Cheese</td>
<td>5¢/lb</td>
<td>20%</td>
</tr>
<tr>
<td>Butter</td>
<td>8¢/lb</td>
<td>20%</td>
</tr>
<tr>
<td>Eggs</td>
<td>8¢/doz</td>
<td>Free</td>
</tr>
<tr>
<td>Horses</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Wheat</td>
<td>30¢/bush</td>
<td>Free</td>
</tr>
<tr>
<td>Flour</td>
<td>78¢/cwt</td>
<td>Free</td>
</tr>
<tr>
<td>Oats</td>
<td>15¢/bush</td>
<td>6¢</td>
</tr>
<tr>
<td>Barley</td>
<td>20¢/bush</td>
<td>15¢</td>
</tr>
<tr>
<td>Corn</td>
<td>15¢/bush</td>
<td>Free</td>
</tr>
<tr>
<td>Cornmeal</td>
<td>30¢/cwt</td>
<td>Free</td>
</tr>
<tr>
<td>Rye</td>
<td>15¢/bush</td>
<td>Free</td>
</tr>
<tr>
<td>Apples</td>
<td>25¢/bush</td>
<td>10¢</td>
</tr>
<tr>
<td>Wool</td>
<td>31¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Potatoes</td>
<td>50¢/cwt</td>
<td>Free</td>
</tr>
<tr>
<td>Hay</td>
<td>3¢/ton</td>
<td>2¢/ton</td>
</tr>
<tr>
<td>Fresh lamb</td>
<td>4¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Fresh Pork</td>
<td>3¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Bacon, hams</td>
<td>2¢/lb</td>
<td>Free</td>
</tr>
<tr>
<td>Logs</td>
<td>$\frac{1}{3}$ per M</td>
<td>Free</td>
</tr>
<tr>
<td>Furs</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Fish</td>
<td>2¢/lb</td>
<td>Free</td>
</tr>
</tbody>
</table>

Canadian Annual Review of Public Affairs, 1922, p. 94.
For complete schedules see Dictionary of Tariff Information.
Chart A.
Geographical Distribution of Foreign Capital Issues Publicly Offered in the United States

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Capital</th>
<th>Estimated Refunding</th>
<th>Net Nominal Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914</td>
<td>$13,419,000</td>
<td>$7,600,000</td>
<td>$13,419,000</td>
</tr>
<tr>
<td>1915</td>
<td>163,340,272</td>
<td>155,740,272</td>
<td>161,801,464</td>
</tr>
<tr>
<td>1916</td>
<td>163,551,464</td>
<td>1,750,000</td>
<td>212,175,200</td>
</tr>
<tr>
<td>1917</td>
<td>222,525,200</td>
<td>10,350,000</td>
<td>222,525,200</td>
</tr>
<tr>
<td>1918</td>
<td>18,640,000</td>
<td>2,000,000</td>
<td>16,640,000</td>
</tr>
<tr>
<td>1919</td>
<td>202,155,000</td>
<td>87,300,000</td>
<td>114,855,000</td>
</tr>
<tr>
<td>1920</td>
<td>189,378,106</td>
<td>5,500,000</td>
<td>183,878,106</td>
</tr>
<tr>
<td>1921</td>
<td>196,571,914</td>
<td>3,050,000</td>
<td>193,521,914</td>
</tr>
<tr>
<td>1922</td>
<td>226,842,384</td>
<td>58,550,000</td>
<td>168,292,384</td>
</tr>
<tr>
<td>1923</td>
<td>142,956,600</td>
<td>23,000,000</td>
<td>119,956,600</td>
</tr>
<tr>
<td>1924</td>
<td>277,354,187</td>
<td>125,735,000</td>
<td>151,619,187</td>
</tr>
<tr>
<td>1925</td>
<td>264,992,750</td>
<td>127,875,000</td>
<td>137,117,750</td>
</tr>
<tr>
<td>1926</td>
<td>308,790,800</td>
<td>82,488,500</td>
<td>226,302,300</td>
</tr>
<tr>
<td>1927</td>
<td>312,346,395</td>
<td>75,965,000</td>
<td>236,381,395</td>
</tr>
<tr>
<td>1928</td>
<td>237,365,800</td>
<td>52,365,000</td>
<td>184,865,800</td>
</tr>
<tr>
<td>1929</td>
<td>308,730,300</td>
<td>19,036,975</td>
<td>289,693,425</td>
</tr>
</tbody>
</table>

3,248,960,172  682,700,375  2,566,259,797

Chart B.

Net Nominal Capital Obtained Through Government and Corporate Capital Issues of Canada, Publicly Offered in the United States

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Government and government guaranteed or controlled issues</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914</td>
<td>$13,419,000</td>
<td>$5,644,000</td>
<td>$7,775,000</td>
</tr>
<tr>
<td>1915</td>
<td>155,740,272</td>
<td>126,242,272</td>
<td>29,498,000</td>
</tr>
<tr>
<td>1916</td>
<td>161,801,464</td>
<td>139,149,464</td>
<td>22,652,000</td>
</tr>
<tr>
<td>1917</td>
<td>212,175,200</td>
<td>173,438,200</td>
<td>38,737,000</td>
</tr>
<tr>
<td>1918</td>
<td>16,640,000</td>
<td>11,995,000</td>
<td>4,645,000</td>
</tr>
<tr>
<td>1919</td>
<td>114,855,000</td>
<td>93,965,000</td>
<td>20,890,000</td>
</tr>
<tr>
<td>1920</td>
<td>183,878,106</td>
<td>139,828,106</td>
<td>44,050,000</td>
</tr>
<tr>
<td>1921</td>
<td>193,521,914</td>
<td>124,006,914</td>
<td>69,515,000</td>
</tr>
<tr>
<td>1922</td>
<td>168,292,384</td>
<td>130,435,884</td>
<td>37,856,500</td>
</tr>
<tr>
<td>1923</td>
<td>119,955,600</td>
<td>81,300,000</td>
<td>38,656,600</td>
</tr>
<tr>
<td>1924</td>
<td>151,619,187</td>
<td>110,629,187</td>
<td>40,990,000</td>
</tr>
<tr>
<td>1925</td>
<td>137,117,750</td>
<td>64,818,500</td>
<td>72,299,250</td>
</tr>
<tr>
<td>1926</td>
<td>226,302,300</td>
<td>64,427,800</td>
<td>161,874,500</td>
</tr>
<tr>
<td>1927</td>
<td>236,381,395</td>
<td>121,961,250</td>
<td>114,420,145</td>
</tr>
<tr>
<td>1928</td>
<td>184,865,800</td>
<td>72,026,500</td>
<td>112,839,300</td>
</tr>
<tr>
<td>1929</td>
<td>289,693,425</td>
<td>141,223,725</td>
<td>148,469,700</td>
</tr>
</tbody>
</table>

2,566,259,797  1,601,091,802  965,167,295

Handbook on American Underwriting of Foreign Securities. p. 21
### Chart C.

Percentage Distribution, by Geographic Areas, of the Net Nominal Capital Obtained Through Foreign Capital Issues Publicly Offered in the United States.

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>Canada</th>
<th>Latin America</th>
<th>Far East</th>
<th>American territories &amp; possessions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>percent</td>
<td>percent</td>
<td>percent</td>
<td>percent</td>
<td>percent</td>
</tr>
<tr>
<td>1914</td>
<td>25.0</td>
<td>30.5</td>
<td>39.3</td>
<td></td>
<td>5.2</td>
</tr>
<tr>
<td>1915</td>
<td>.74.5</td>
<td>19.4</td>
<td>5.8</td>
<td></td>
<td>.1</td>
</tr>
<tr>
<td>1916</td>
<td>72.4</td>
<td>14.0</td>
<td>12.5</td>
<td>0.7</td>
<td>.4</td>
</tr>
<tr>
<td>1917</td>
<td>57.9</td>
<td>31.0</td>
<td>10.4</td>
<td>.2</td>
<td>.5</td>
</tr>
<tr>
<td>1918</td>
<td>79.8</td>
<td>11.0</td>
<td></td>
<td></td>
<td>9.2</td>
</tr>
<tr>
<td>1919</td>
<td>58.2</td>
<td>29.3</td>
<td>.8.6</td>
<td>.2</td>
<td>3.7</td>
</tr>
<tr>
<td>1920</td>
<td>49.7</td>
<td>37.0</td>
<td>9.9</td>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td>1921</td>
<td>25.1</td>
<td>31.0</td>
<td>36.8</td>
<td>2.5</td>
<td>4.6</td>
</tr>
<tr>
<td>1922</td>
<td>27.7</td>
<td>22.0</td>
<td>29.3</td>
<td>14.7</td>
<td>6.3</td>
</tr>
<tr>
<td>1923</td>
<td>25.7</td>
<td>28.5</td>
<td>27.2</td>
<td>16.8</td>
<td>1.8</td>
</tr>
<tr>
<td>1924</td>
<td>54.3</td>
<td>15.7</td>
<td>19.3</td>
<td>9.9</td>
<td>.8</td>
</tr>
<tr>
<td>1925</td>
<td>58.5</td>
<td>12.7</td>
<td>14.7</td>
<td>13.2</td>
<td>.9</td>
</tr>
<tr>
<td>1926</td>
<td>43.0</td>
<td>20.1</td>
<td>32.7</td>
<td>2.8</td>
<td>1.4</td>
</tr>
<tr>
<td>1927</td>
<td>43.2</td>
<td>17.7</td>
<td>25.4</td>
<td>11.3</td>
<td>2.4</td>
</tr>
<tr>
<td>1928</td>
<td>47.8</td>
<td>14.8</td>
<td>26.4</td>
<td>10.5</td>
<td>.5</td>
</tr>
<tr>
<td>1929</td>
<td>21.1</td>
<td>43.1</td>
<td>26.1</td>
<td>7.7</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Chart Dc.
Capital Issues of Canada Publicly Offered in the United States (In thousands of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Government</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914</td>
<td>5,644</td>
<td>7,775</td>
</tr>
<tr>
<td>1915</td>
<td>126,242</td>
<td>37,098</td>
</tr>
<tr>
<td>1916</td>
<td>1$9,149</td>
<td>24,402</td>
</tr>
<tr>
<td>1917</td>
<td>175,189</td>
<td>47,337</td>
</tr>
<tr>
<td>1918</td>
<td>12,995</td>
<td>5,645</td>
</tr>
<tr>
<td>1919</td>
<td>173,965</td>
<td>28,190</td>
</tr>
<tr>
<td>1920</td>
<td>139,828</td>
<td>49,550</td>
</tr>
<tr>
<td>1921</td>
<td>124,006</td>
<td>72,565</td>
</tr>
<tr>
<td>1922</td>
<td>186,935</td>
<td>39,906</td>
</tr>
<tr>
<td>1923</td>
<td>100,800</td>
<td>42,156</td>
</tr>
<tr>
<td>1924</td>
<td>226,629</td>
<td>50,725</td>
</tr>
<tr>
<td>1925</td>
<td>182,593</td>
<td>82,399</td>
</tr>
<tr>
<td>1926</td>
<td>120,227</td>
<td>188,563</td>
</tr>
<tr>
<td>1927</td>
<td>166,461</td>
<td>145,885</td>
</tr>
<tr>
<td>1928</td>
<td>72,026</td>
<td>165,339</td>
</tr>
<tr>
<td>1929</td>
<td>159,710</td>
<td>149,019</td>
</tr>
<tr>
<td>Total</td>
<td>2,122,398</td>
<td>1,136,534</td>
</tr>
<tr>
<td>Grand Total</td>
<td>3,248,952</td>
<td></td>
</tr>
</tbody>
</table>

(1) Newfoundland ($26,535) included.
(2) Newfoundland ($5,926) included.
(3) Newfoundland ($32,461) included.

Handbook on American Underwriting of Foreign Securities. p. 27
Chart E.
Net Nominal Value of Publicly Offered Capital
Issues of American and Semi-American Corporations for
Nondomestic Purposes.

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915</td>
<td>$4,849,000</td>
</tr>
<tr>
<td>1916</td>
<td>2,125,000</td>
</tr>
<tr>
<td>1917</td>
<td>12,372,000</td>
</tr>
<tr>
<td>1918</td>
<td>4,000,000</td>
</tr>
<tr>
<td>1920</td>
<td>7,500,000</td>
</tr>
<tr>
<td>1921</td>
<td>21,150,000</td>
</tr>
<tr>
<td>1922</td>
<td>7,500,000</td>
</tr>
<tr>
<td>1923</td>
<td>500,000</td>
</tr>
<tr>
<td>1924</td>
<td>6,725,000</td>
</tr>
<tr>
<td>1925</td>
<td>36,587,750</td>
</tr>
<tr>
<td>1926</td>
<td>47,250,000</td>
</tr>
<tr>
<td>1927</td>
<td>57,174,000</td>
</tr>
<tr>
<td>1928</td>
<td>28,410,600</td>
</tr>
<tr>
<td>1929</td>
<td></td>
</tr>
<tr>
<td></td>
<td>69,309,200</td>
</tr>
<tr>
<td>Total</td>
<td>305,452,550</td>
</tr>
</tbody>
</table>

Handbook on American Underwriting of Foreign Securities, p. 23
BIBLIOGRAPHY
**BIBLIOGRAPHY**


A compilation of the messages and papers of the Presidents, 1789-1897, 10 v., ed. by James D. Richardson, Washington, D. C., 1897.


Keenleyside, Hugh, Canada and the United States, New York, 1929.


Pepper, Charles M., American foreign trade; the United States as a world power in the new era of international commerce, New York, 1919.


Wittke, Carl, A history of Canada, New York, 1927.
Periodical Material

"American business is accepting Mr. Bennett's 'Strong Invitation'," Business Week, February 11, 1931.

"American capital buying Canada," Literary Digest, May 6, 1922.

"Bennett jumps automobile duty to hold American branches," Business Week, March 4, 1931.


"Canada not owned by outsiders," Literary Digest, July 6, 1929.

"Canada puts automobile duties on 20% to 25% higher price base," Business Week, September 17, 1930.

"Canada's back-slap at our tariff," Literary Digest, October 4, 1930.


"Canada's unemployment tariff," Literary Digest, October 4, 1930.

"Canada's war on our tariff," Literary Digest, May 24, 1930.


"Do foreign branch plants pay?" Business Week, October 19, 1929.


"Fordney 'gloom' in Canada," Literary Digest, September 3, 1921.


"Gestures and roars over Canada's tariff wall," Literary Digest, June 30, 1931.


"High words over high tariffs," Literary Digest, June 13, 1931.

King, Tom, "Tariffs of the United States and Canada," Queens' Quarterly, Spring, 1930.


Patton, E. S., "Reciprocity with Canada, the Canadian viewpoint," Quarterly Journal of Economics, August, 1921.

"Reciprocity's ghost stalks again," Literary Digest, April 9, 1927.


Stevenson, J. A. and Dexter, Grant, "Canada's tariff reprisals against America," Current History, May, 1931.

"Tariff panic along the Canadian border," Literary Digest, April 27, 1929.


"Up goes Canada's tariff," Literary Digest, June 13, 1931.
Government Publications

Congressional records, proceedings and debates, 1873--Washington, D. C.


Reciprocity with Canada, a study of the arrangement of 1911, United States Tariff Commission, Miscellaneous Series, Washington, D. C., 1920.


The United Kingdom, an industrial, commercial and financial handbook, (Hugh Butler), United States Department of Commerce, Bureau of Foreign and Domestic Commerce, Trade Promotion Series, No. 94., Washington, D. C., 1930.

House Documents

v. 48, Cons. Repts., v. 58, no. 217, Serial 3676, "Modifications of the Canadian Tariff."

v. 40, Cons. Rept., v. 59, no. 222, Serial 3782, "Canadian Tariff."

v. 48, Cons. Repts., v. 63, no. 237, Serial 3945, "Increase in Canadian preferential tariff."

v. 49, Cons. Repts., v. 64, no. 243, Serial 3946, "Effects of Canadian preferential tariff."

v. 52, Cons. Repts., v. 74, No.280, Serial 4678, "Tariff resolutions of Canadian Manufacturers."

v. 54, Cons. Repts., no. 286, Serial 4680, "Canadian tariff changes."

v. 73, Cons. Repts., no 317, Serial 5176, "Recent tariff, changes--Canada."
v. 74, Cons. Repts., no. 319, Serial 5177, "Changes in rates and regulations."

v. 55, Cons. Repts., v. 71, no. 268, Serial 4494, "United States Capital in Canada."

v. 56, Cons. Repts., v. 72, no. 273, Serial 4495, "American Investments in Canada."

House Repts., v. 2, no. 5, 63rd Cong., 1st sess., Serial 6514, "Report to accompany H. R. 3221."


House Repts., v. 1, no. 156, 66th Cong., 1st sess., Serial 7592, part 2, "Repeal of Canadian Reciprocity Act."

Senate Documents

v. 5, no. 66, 55th Cong., 1st sess., Serial 3562, "Canadian Tariff."

v. 27, Miscellaneous 1, 62nd Cong., 1st sess., Serial 6105, "Canadian Customs Tariff, 1907."

v. 84, 61st Cong., 3rd sess., Serial 5942, "Documents relating to reciprocity with Canada."