
A D D R E S S

DELIVERED BY

MR. JAMES J. HILL

BEFORE THE

CHICAGO

ASSOCIATION OF COMMERCE

CHICAGO, ILLINOIS

FEBRUARY 15, 1911

ADDRESS DELIVERED BY
MR. JAMES J. HILL
BEFORE THE
CHICAGO ASSOCIATION OF COMMERCE
CHICAGO, ILLINOIS
FEBRUARY 15, 1911

The proposed reciprocity agreement between Canada and the United States is an example of constructive statesmanship. In contrast to many matters that come before congress, it is fashioned to large national ends and inspired by a policy which the greatest minds of the country have approved. One would expect it to be welcomed with a chorus of unqualified approval. Intelligent citizens and faithful representatives of public opinion do greet it with enthusiasm. But every interest that can discover in it a possibility of the loss of a dollar of its profit, earned or unearned, rushes to the attack. Men capable of the large and patriotic view choose instead to "play politics." The new treaty is opposed by the ignorant and the demagogue.

Again and again, through enlightened opinion on one side of the line or the other, the advice of great men of letters like the late Goldwin Smith, great protectionists like William McKinley, great

political leaders like Sir Wilfrid Laurier, opportunity has called to us and been denied. She is not patient forever, even with a nation. It is possible that, should these countries fail again as they have failed so many times since 1866 to listen to intelligent self-interest combined with real statesmanship as embodied in the movement toward reciprocity, its voice may be silenced forever by the changing circumstances that alter permanently the outlook of nations as well as the fortunes of men.

Up to this time Canada and the United States have not, except for a brief period and in a limited way, improved the opportunity plainly awaiting them and now concretely represented by the reciprocity pact to which the representatives of each have given their approval. This is the more strange because in many relations there is complete and cordial understanding between them. It is impossible to imagine any crisis that should range their people on opposing sides. They occupy two political divisions of a geographical and physical continental unit. The development of both sections of this integral economic area forces them closer together. The unnatural thing is not commercial harmony, but commercial separation.

Our great lakes are free from the menace of ships of war, our railroads cross the boundary unvexed, our people move freely back and forth. Only trade is fettered. That influence alone which has wrought so mightily upon the past of every English-speaking people, that power which has taken the lead in the common development of both countries, is challenged when it seeks to draw closer the bonds of mutual understanding and interest. While professing many of the same economic doctrines and enforcing them against the rest of the

world, the United States and Canada have aimed their missiles against each other. For nearly half a century trade reciprocity, the birthright and manifest destiny of both, has been denied.

In both nations today a thousand interests are calling for a closer and more definite commercial compact. The United States which, in 1854, concluded a reciprocity treaty with Canada was a small agricultural country, agreeing to trade with one still smaller but in many respects quite similar. The Canada of that day had neither the continental promise nor the conscious strength of this. The United States which terminated that agreement in 1866 was a nation still suffering from the wounds of civil war, still swayed by its passions and enmities, profoundly unconscious of its economic future and determined to achieve industrial independence even if it must be purchased at the cost of national isolation.

Since then both countries have grown, commercially and mentally. Horizons narrowed by ancient jealousies have been widened by years and achievement. Growth along lines almost identical has demonstrated their community of interest to minds still capable of learning. From New England to the Pacific Coast, and all down through the states of the Middle West, where the advantages of more liberal trade relations are practically apparent every day, the sentiment for reciprocity has grown steadily. In 1897 an overture by Canada for a new agreement was received shabbily at Washington. In 1910 the President of the United States intervened to modify our latest tariff act in the interest of freer trade with Canada. In 1911 a working plan of reciprocity is submitted to the people of both countries and hailed everywhere among the

thoughtful with satisfaction and approval.

Before considering the objections urged against this proposal, let us look at the reasons producing a change of attitude equivalent to a national conversion. They grow out of an increase of trade, despite all obstacles, which is like a flood beating artificial barriers down. The actual growth of trade between countries having tariffs intended to guard each, so far as possible, from commercial invasion by the other, is a proof of the superior power of natural forces over the artifice of man. Tariffs, generally speaking, reduce trade. Yet in the fiscal year ended June 30, 1910, our imports from and exports to the Dominion amounted to over \$311,000,000. This is exceeded only by our trade with the United Kingdom and by that with Germany. For the calendar year 1910, the total is over \$345,000,000. In the last ten years our commerce with Canada increased 131 per cent. In the last fiscal year it increased 28 per cent, which is over twice the average annual growth for the decade.

Notwithstanding the demand of Great Britain for the products of Canada and her advantages in trading there, her exports to us in 1909 were two-thirds as great as those she sent to the Mother Country. For forty-two years, according to her Year Book, 37 per cent of her exports has been destined to our markets. With national sentiment, political connection and preferential regulations to aid the British merchant, 59 per cent of all the imports of Canada in 1909 were brought from the United States and 24.52 from Great Britain. In forty-two years the figures are 51.24 and 34.49 respectively. The foreign commerce of Canada in the fiscal year ended March 31, 1910, amounted to \$677,000,000. The increase over 1909 in her trade

with Great Britain was \$40,500,000, and in that with the United States, \$64,000,000. The latter is more than half her entire trade growth for the year. Of all the imports that entered Canadian ports in 1909 free of duty, 70.20 per cent came from the United States; of all the dutiable, 51.76 per cent had the same origin. When traffic between two countries, under irksome limitations, has reached these proportions, the mere figures prove the propriety of relaxing its bonds. The proposed agreement is only the embodied voice of a mutually beneficial trade intercourse, demanding its rightful freedom.

Any opposition to a project so natural under the circumstances just stated, so advantageous to the American people, is so extraordinary that the nature and cause of it should be considered first. It comes from three sources; two of which may be summarily disposed of. Such of the monopolistic combinations as find their power to overcharge the people imperiled by reciprocity are naturally against it. The lumber interest, more liberally treated in the new tariff act than was necessary, protests against cheaper building material for our own people. The print paper combine, once dissolved by order of the federal courts, and now and always under suspicion, dares to appear at Washington to fight the treaty. These and all similar objectors are entitled to no consideration.

As little worthy to be heard are the men in public life who regard this measure as merely a grindstone on which to whet the axe of political fortune. Many of these are eagerly denouncing the treaty offhand, in the belief that they can first create a prejudice and then prosper by catering to it. It is one of the most familiar and meanest policies of the

demagogue. Today not a few nominal representatives of the people are secretly plying their constituents with arguments against ratification which have no foundation, thinking to serve other masters acceptably while appearing to comply with a popular demand. To this despicable scheme is due nearly all the objection raised anywhere by the agricultural interest. Such of our farmers as oppose the treaty either believe ignorantly or have been made to believe that its effect would be to lower the price of farm products. This hue and cry centers about the effect of reciprocity upon the prices of wheat and barley grown in the United States. If we dispose of the claim that these are likely to be lowered, then the whole argument from the farm vanishes.

There are two sets of facts, one logical and drawn from trade and economic laws, the other concrete and taken from the actual statistics of the Federal Bureau of Statistics and the Federal Department of Agriculture, which demonstrate absolutely that a fall of grain prices in consequence of reciprocity is not merely improbable but ridiculous and impossible. Let us take first the abstract laws. They are as well settled as those of physics.

The price of any commodity of which a country produces a surplus for export is fixed in the market where it must be sold. The demand of the whole world for wheat meets the supply of the world in the Liverpool market. To that Russia and Argentina and Canada and the United States all send their surplus. The visible supply is noted, the probable demand computed, the prospects of growing crops taken into account, and these automatically determine the price.

This Liverpool quotation regulates wheat prices

in all the markets of the world. It is cabled daily to New York, Chicago, Minneapolis, Duluth, Winnipeg and the other primary markets of wheat-exporting countries. The price in each of them varies daily with the Liverpool advice. It is therefore impossible that this price should be affected by the trade relation of any two of the countries to each other. It can make no difference in the total stock of wheat for sale, which fixes the price, over what route it goes to market. The quotations would not be changed by the fraction of a penny if all the wheat of Canada went abroad by way of Minneapolis, Chicago, Duluth and New York instead of by way of Winnipeg, Port Arthur and Montreal. But every bushel milled in transit helps the price, by withdrawing from the visible supply, on which prices are based, the wheat that has been turned into flour. And the farmer produces not flour, but wheat. On whichever side of the line he lives, he is a gainer.

A tariff on wheat never had and never can have the slightest effect one way or the other on the farm value of wheat in the United States as long as it exports annually a large surplus. That would be no greater if the duty were a dollar a bushel, and no less if it were on the free list. As a matter of fact, Argentina is now a more important factor in the world's market than either the United States or Canada. Her wheat shipments in 1909 were worth \$106,000,000. Last year she sent to Great Britain more wheat, more corn and more beef than we did. The tariff on grain in this country is a mere bull against the comet; an insult to the intelligence of our farmers which they should resent.

But what, say some well-meaning and ill-informed people, about the difference in price? Is

not wheat regularly from five to ten cents higher in Minneapolis than in Winnipeg? Is there not a corresponding difference in the prices of barley? Do we not owe this advantage to the tariff? If that is taken off, will not the market be flooded with Canadian wheat, and the Minneapolis or Chicago price reduced to the Winnipeg level? Official figures prove that this will not happen.

These variations in the local market are not due to the tariff or to any general cause, but to a larger local demand, created by great milling or brewing centers. They exist between different markets in the United States. They affect adjoining states exactly as they affect the United States and Canada. The average farm price of wheat in 1909 was \$1.119 per bushel in the North Atlantic states, while in the South Atlantic it was \$1.174. The average monthly quotation, high bid, in 1909 for the whole year was \$1.57 in Detroit and \$1.66 in St. Louis. For a whole year there was a difference of nine cents per bushel between two centers each having a great wheat territory tributary, and each on a water route to the markets of the world. The higher local price is always created by some brisk and steady local demand. Our mills need wheat from Canada. For this reason it is probable that the price of Canadian wheat would advance under reciprocity. It is certain that the price of American wheat could not decline appreciably.

This is proved mathematically by the following figures from the official reports of the Department of Agriculture. They give the average farm value of wheat not for one year only, but for ten years, ending Dec. 1, 1910; and they cover five pairs of states, the states of each pair being contiguous territory:

Iowa	\$.72
Missouri78
Tennessee90
Alabama	1.02
Oklahoma73
Arkansas85
Oregon72
California84
North Carolina	1.01
South Carolina	1.14

It should not be necessary to add a word to this convincing demonstration. It may be worth while, however, to call especial attention to Oregon and California, because they correspond exactly to the case of Canada and the American Northwest. They lie north and south. They are connected by large and growing railroad systems. Each has an ocean frontage, splendid seaports, a heavy export trade. Their wheat crops last year were almost identical in amount. Yet for ten years the average difference in wheat prices between them has been twelve cents per bushel. Since this maintained itself where there was no tariff on wheat, has a tariff anything to do with the difference between wheat prices in Manitoba and Minnesota? Does free trade send the 84 cent wheat of California down to the 72 cent level of Oregon? Not a bushel of it. Neither will it reduce the higher wheat prices of the Northwestern states to the lower level of the Canadian side. Any man who reads these figures must be ashamed ever to repeat the silly fabrication about injury to our farmers by which most of the opposition to reciprocity is defended.

The case of barley is exactly the same. Here are the official average prices of barley on December 1, 1910:

Kansas	45c.
Nebraska	45c.
Missouri	60c.

If Canadian barley would flood the American market and reduce the American price, why does not the barley of Kansas and Nebraska, distant only a few hours' travel by rail, drive the barley of Missouri down to the same price?

In fact, the statistics of production and export show that we do not need to concern ourselves about Canada's grain production. During the fiscal years ending March 31 for Canada and June 30 for the United States, the wheat exports of the two countries were as follows:

	Canada.	United States.
1908 ..	43,654,668 bus.	100,371,657 bus.
1909 ..	49,137,449 "	66,923,244 "
1910 ..	49,741,350 "	46,679,876 "

The decrease in our surplus from year to year is sometimes greater than the entire Canadian export. You could add Canada's total for any year to the amount of wheat we sent abroad in 1910, and the sum would not equal our export in 1908. In 1900 we raised 59,000,000 bushels of barley and exported about 24,000,000 bushels. The crop of 1910 was 162,000,000 bushels and the export a little over 8,000,000 bushels. Here, too, all Canada's shipments could be absorbed, even in the impossible contingency that they were dumped on this country, without increasing our own foreign shipments beyond the figure of our most active trade years. There has

not been one objection made or one fear stated, so far as the American farmer is concerned, to complete reciprocity in farm products, which is not proved groundless by the government's statistical reports. The men who keep harping on this string are either discredibly ignorant or bent upon influencing public opinion by false pretences.

As a final blow to this argument it may be noted that the United States will need every year more and more foodstuffs for home use. Of that the great increase in the cost of living has already given us warning. It will soon be looking for sources of supply rather than for markets. Our total exports of foodstuffs and food animals for the first eleven months of the calendar year 1910 compare as follows during the last three years:

1908	\$444,534,846.
1909	358,834,349.
1910	308,045,173.

Our wheat exports during the same months were:

1908	87,002,684 bus.
1909	44,762,475 "
1910	20,848,751 "

In two years our wheat exports have fallen more than 75 per cent. They will soon be a negligible quantity. This is partly because of a stagnant agricultural system, but more because of increased home demand. The wheat and wheat flour retained for domestic consumption in the five years 1895-99 amounted to 1,704,046,500 bushels. In the five years 1905-09 it was 2,710,594,497 bushels. The excess home consumption in the second five year period over the first, only ten years apart, is more than one billion bushels.

Our total export of farm products was \$1,017,-

396,404 in 1905, and \$871,107,067 in 1910. In the last fiscal year we exported in round numbers \$110,000,000 worth of foodstuffs and food animals, and imported \$148,000,000 worth. What can be more absurd under such circumstances than to maintain a duty of six cents per pound on butter and cheese, five cents per dozen on eggs, and twenty-five cents a bushel on potatoes? This is not protection; it is mere punishment of the consumer for the sake of an empty theory. At any angle from which it is viewed, the campaign of interested or ignorant persons against reciprocity as injurious to the farmer is a flimsy tissue of misstatement.

Some of the people of Canada fear or affect to fear the competition of our manufactures. One of the busiest of these is the turning of our timber supply into lumber. The tariff protects it. But Canada sent us, notwithstanding, sawed lumber to the value of nineteen million dollars in 1910. Last year the United States imported from Canada over \$3,700,000 worth of bituminous coal, and exported to Canada \$17,000,000 worth of the same article. This is but one example of the interchange of commodities between neighbors for their common convenience, that will continue in spite of all restraints, because it is to the common advantage. Is it not time we both began to pull with the stream instead of against it; that we gave to this movement of commerce, created and sustained by permanent natural forces, recognition instead of discouragement?

Turning now to the advantages of reciprocity, we find them many and substantial. The leading cereal crop of this country is not wheat, but corn. We sell comparatively little of this abroad. We sent last year over 6,500,000 bushels to Canada. With better trade relations this could be multiplied

many times. And the Department of Agriculture has stated that our corn crop could be doubled from the same area without great additional cost in money or labor. For our horses and cattle Canada offers the best market. Our manufactures, which have increased 50 per cent in the last five years and are clamoring for new fields, have here at their doors the most desirable field they can ever hope to secure.

No American business man can be indifferent to the unequalled opportunity offered. Our consular force over the whole world is engaged in attempting to enlarge our foreign market and swell the total of our trade. On the \$345,000,000 of our trade with Canada in 1910 there was a balance in our favor of over \$138,000,000. This is 50 per cent greater than our balance of trade with Germany. It is 45 per cent of our balance of trade with all other countries combined. The United States has expended or is preparing to expend several hundred million dollars in enterprises supported mainly by the argument that they will help to increase our trade with South America. Add the trade of all the Central American states except Panama, which is commercially in effect a part of us, to that of all the states of South America with the United States, and the total is less than our trade with Canada. But there is a vast difference in their economic desirability. For while about 70 per cent of our trade with Canada consists of exports and about 30 per cent of imports, the proportions in the other case are reversed. Of the South American trade, about 68 per cent is imports and only about 32 per cent exports. To foster the more desirable traffic we are not called upon to spend hundreds of millions, but simply to tear down a useless tariff wall.

On the side of wages and cost of production the objection to reciprocity is just as futile and disingenuous. No law can make the economic status of industry greatly different in these two countries. No matter what embargos may be placed upon the movement of commodities, capital and labor are free. Their mobility neutralizes protective duties. The workingman who should find that he was receiving in either country a wage substantially less than was being paid in the other for the same work would walk across the boundary line and take advantage of the higher scale. There is no tariff on men. Neither is there any on money or credit.

The theoretical impossibility of any considerable permanent variation of the wage scale in the two countries is borne out by an examination of the pay-rolls of any industry. There is less difference in either wages or prices between Massachusetts and Quebec than between Massachusetts and Colorado; closer agreement between Montana and Saskatchewan than between Montana and Georgia. An official bulletin of the United States Bureau of Labor gives the wages of union carpenters, selected as a standard industry, during the first quarter of 1910. They received \$12 per week in Lakeland, Florida; \$18 in Waterbury, Connecticut; \$18 in Galesburg, Illinois, and \$24 in Cripple Creek, Colorado. During the same time the wages of the same class of workers, by the same authority, were \$12 in Bridgetown, Nova Scotia; \$15 in Ottawa; \$20.16 in Edmonton; and \$24 in Fernie, British Columbia. These figures show that a protective tariff has nothing to do with wages in the two countries as related to each other.

Whenever capital finds it more advantageous to manufacture in one country than the other, it locates a plant there. The Monetary Times, of To-

ronto, says that of all foreign investments made in Canada during the five years ending in 1909, \$605,000,000 are British, \$279,000,000 American, and all others combined amount to less than \$78,000,000. But of England's total, \$481,000,000, on the same authority, were Canadian public flotations in London. Deducting this, the amount of private investment in Canada by Great Britain is less than half that by the United States. Their tariffs have compelled men and money to move at different times from one country to the other; they have never helped the development of either as against the other.

Reciprocity with Canada stands on a different footing from reciprocity with any other country. We are alike in natural circumstances, in national traits, in all the deeper qualities that fashion race and individual character. If we include Alaska, we have practically the same area. We share the richest heritage of the world, the fertile interior plateau of the American continent. We use together the splendid waterway of the Great Lakes that taps it. The wheat receipts of Minneapolis for the last crop year were 81,000,000 bushels, those of Winnipeg 88,000,000. Our commerce is inextricably intermingled. The cars of every Canadian system are to be found in the railroad yards of any big city in the United States, and vice versa. About one-fourth of the tonnage using the Welland Canal is from or to ports in the United States. It is, indeed, hardly possible to exaggerate the closeness of the relations already existing. President Taft has declared that every diplomatic question between the two nations is in process of settlement by arbitration or other agreement. There is a growing fusion of interest and of character probably never

seen hitherto in the case of two separate and independent nations.

The people of Canada have as much to gain as we. They must be treated not as suppliants but as equals. Reciprocity in raw materials, in natural products and in some of the simpler and more generally used articles of manufacture, as provided for in the pending agreement, is the obvious road to a relation profitable to both countries. The time, probably the last time, when this can be realized, has arrived. The future union of all parts of the British Empire in a commercial federation is almost certain. When that shall have been concluded, under a system of preferential advantages securing the English market to the colonial producer of raw materials and food products, and the colonial market to the English manufacturer, it will strike the United States a double blow. Our best customer, Great Britain, and our third best, Canada, will trade less and less with us and more and more with each other. And it will then be permanently impossible to repair our error. Political and economic weather signals indicate that, should the present measure fail, no other can succeed for many years, if ever. It has been proved that reciprocity would probably not affect our grain prices at all. But suppose that it should lower them in some local market five cents a bushel. How would that compare with the injury from having our whole surplus forced down ten or fifteen cents a bushel in the English market, by special favors to Canada, thus lowering the price on our entire crop of 650,000,000 bushels or more? For the price of the surplus fixes the price of the whole. Or what does a temporary hardship to some interest here or there amount to as compared with the possible loss or severe contraction of the

combined markets of Canada and Great Britain, drawn into a close commercial compact, which last year took from us nearly \$800,000,000 worth of all our products?

The party representing the protective principle in this country has written into its platform the rule that duties should do no more than cover differences in cost of production and a reasonable profit. On this President Taft stands, and in framing this reciprocity pact he has been true to it. There is no difference in wages or cost of raw material by which existing duties can be justified. All the old arguments against reciprocity have been spiked by the very men who have formally abandoned their crumbling fortifications. Not the least convincing proof that this education has done its work is the fact that men in public life who have taken a position adverse to reciprocity, in the hope of pleasing the farmer vote, are dumbfounded by a flood of advices from their constituents in its favor. Intelligent and disinterested public opinion is all on one side.

A few public men in Canada and one of her leading newspapers have resurrected from its well-earned grave the specter of "annexation." This is as flat and foolish as would be an attempt to wave "the bloody shirt" once more in an American political campaign. There is no more connection between reciprocity and annexation than there is between buying butter from a farmer and insisting that he must join your church. Neither people takes any interest in speculations about their political future. Sufficient unto each is its present area, its resources, its customs and traditions and its true dream of national greatness. If there is ever to be any other than a commercial alliance, it belongs to

years yet unnumbered and generations yet unborn. Professions of alarm about it from any quarter are insincere. They are like the beating of tin pans to scare away the dragon which the Chinese believe to be eating the sun during an eclipse.

The spirit that opposes reciprocity because there is advantage in it for one country or the other would destroy all commerce. Trade is built upon the law that both parties may and should profit by a fair interchange of products. Reciprocity is the confession and practical embodiment of that fundamental axiom of commerce. Both countries will gain. But as there are about seven million people in Canada and about ninety-three millions in the United States, our relative gain will be proportionately greater.

The unanswerable argument for reciprocity is the experience of the United States and Canada in their internal growth. The guarantee of free trade between the states of the American Union probably outweighed any other benefit to them from the adoption of the Constitution. Not one of them has found its development in any way retarded by open competition with all the rest. The same is true of the several provinces of Canada. Northwestern Canada, unprotected against the Eastern provinces, has prospered more abundantly than they, exactly as the American Northwest has accomplished its wonderful development, not in spite of but because of the wide extent of the free market of which it forms an inseparable part. It is ludicrous to suppose that a system of free interchange highly beneficial to both parties when applied on east and west lines would suddenly become hurtful if applied by the same parties on north and south lines. The present industrial condition of both the United

States and Canada under complete internal trade freedom sufficiently answers every objection to the much more limited intercourse permitted by the reciprocity agreement.

There ought not to be one vote in congress or one voice in the country against an arrangement worth more than armies and navies, more in dollars and cents than the acquisition of other markets for which we are prepared to spend huge sums. Every man in public life either knows or does not know the true value and effect of reciprocity. If he does not know, he is not fit for the responsibility he assumes. If he does know, and yet opposes, he is willing to sacrifice the most important interests of his country and to close the greatest opportunity opened to it in years, for the sake of some private political advantage which he believes can be won by pandering to ignorant prejudice. Every such man should be publicly judged, condemned and sent to the rear. By the fate of this treaty our national character will be tested; and by his vote upon it each representative may be fairly and finally judged. If its ratification involved some present sacrifice, it would bring compensation in increased growth and prosperity through all the years to come. Offering instead, as it does, large and certain advantages to both countries, it should be accepted with substantial unanimity and universal rejoicing.

International comity, international understanding and international reciprocity are the forerunners of a more intelligent age. Through them a new and better regime is to be established among men. At this moment and around this issue the vision of the poet, the dreams of the prophets of nationality, the foresight of the statesman and the practical sagacity of the business man converge

upon a common focus. Place one leg of a pair of dividers on Chicago and the other on Key West, swing the latter around to the northwest and it will barely reach the limit of agricultural land in the Canadian Northwest. The commercial integration of such a territory with ours is like extending our land area half way across the Atlantic ocean. It would be worth any price; but it may be had as the free gift of sanity and good neighborhood. The world has never seen such progress as this would give were both countries free to follow natural inclination and wholesome commercial instincts. From the Mexican boundary to the frozen wastes within the Arctic Circle, from the Straits of Belle Isle to the Straits of Fuca, one activity, one ambition, one merging of fear in fraternity, one commingling of interest and of effort equal to the conquest of the earth. As practical men we may, indeed, see from our vantage point the matchless material advantages of reciprocity. But that within each of us which steps beyond, which feels the impulse of service to both countries, the hope of a wider, freer and nobler humanity to take up the great, undefined, threatening but imperious tasks of the future,—this demands that these two pioneer nations of the Western Continent go forward shoulder to shoulder, to blaze a trail toward a wider and better civilization.