

subject in his chapter on "Commercial Equilibrium" with great clearness. After citing figures exhibiting the progressive increase of imports between 1856 and 1870, and which we may incidentally remark has gone on increasing during the last decade, he proceeds:—"The question arises, how has this large excess of imports been paid for? The answer is, to a small extent it has been paid for in services, principally in the services of our mercantile marine, performing, as it does, a large proportion of the carrying trade of the world, but in the main it has not been paid for at all. It came to us from foreign nations, as all our imports have come, in the ordinary course of trade, but the proceeds on sale have never been returned in any form to those from whom the goods came. They were applied instead to the discharge of debts owing to us—debts, however, incurred on account of transactions wholly apart from our export trade. In point of fact what has happened has been this: Great Britain has for a long time occupied the position of a lender of capital to other nations; she has invested her capital freely in her own colonies; she has lent money to many countries for industrial undertakings, and has been a large purchaser of foreign stocks. On all these accounts, foreign nations, including under this term our own colonies, have become her debtors, and in discharge of their obligations, accruing in the form of profits, interest and dividends on stock, are compelled to send her, year by year, value to a large extent for which no payment in return is required. Here we find the explanation of the large nominal excess of our imports over our exports."

It is difficult to comprehend how so many are still found, both in the United States and Canada, to defend the exploded theory, that imports and exports afford any clue whatever as to the pecuniary claims or liabilities of one nation towards another. We must all be fully aware that Canada, instead of being, like Great Britain, a creditor country, is heavily in debt, and has to pay in addition to her imports a large annual sum for the interest on that debt. Her exports ought therefore to be largely in excess of her imports, and yet we know that the reverse is the case. There is no difficulty in accounting for the fact. Canada has been for years, and still is, largely increasing her indebtedness to Great Britain, and in recent years France and the United States have likewise become her creditors. We all know that we have to pay for interest and sinking fund on our public debt in England about \$7,000,000,

but there is besides the interest on such of our Provincial and Municipal Loans as are held outside the Dominion, the net receipts of our principal railways, the Grand Trunk, Great Western, Northern Prescott & Ottawa and others; likewise the interest on the investments of the Trust & Loan and other kindred institutions, and of several insurance companies, dividends on bank stock, and likewise interest to private creditors. We have no data which would enable us to make any reliable estimate of the annual interest which has to be added to our imports, but it must form a considerable percentage on our exports, which with such an extra load have for years fallen far short of paying for our imports. Our chief object in the foregoing remarks has been to point out the essential difference between an excess of imports caused by the receipt of interest from debtors, and an excess caused by borrowing more largely from other countries. We may give another illustration: In several of the West Indian Colonies there is an outside indebtedness chiefly if not entirely to Great Britain, but where no new loans are made, the exports will be found to be considerably in excess of the imports, and contribute so far as they go to swell the British imports. It by no means follows necessarily that new loans are disadvantageous to a country, and, if contracted for objects of great public utility, they may be highly beneficial. But it is certain that the tendency of large expenditure on unproductive public works is to cause inflation of an injurious character. A more thoroughly mischievous and unsound policy was never propounded by any Government than that of encouraging the construction of branch railroads in the Province of Quebec. Such a scheme would never have been contemplated but that we have got into a period of inflation, requiring the employment of the greatest caution by all those who have sufficient influence to repress the tendency to embark in what we may at least term doubtful enterprises.

RAILROADS, COMMERCE AND FINANCE.

Adverting to the market for United States Railway shares, the London *Economist* remarks that working expenses are everywhere expanding seriously, not only in the United States but in Canada also. The prices of material rule high, traffic has been greatly unsettled by recent alterations in the tariff as well as by the bad harvest, and capital commitments are still in many instances heavy. All this has tended to cast a gloom over the American

railroad market, and to reduce earnings and dividends very materially. In 1880, New York Central railroad was at 158, and in 1882 at 128. Erie in 1880, 51; in May, 1882, 35½. Pennsylvania in 1880, 69; in 1882, 58½.

The New York *Bankers' Magazine* for June states that business is beginning to feel the effects of high prices and the disorganization of labor. Production continues without much abatement, but sales are sluggish, and the accumulation of many kinds of manufactured commodities is steadily increasing. To prevent this, prices are receding, but such a state of things always produces disquietude. This shows itself in the higher rates asked for commercial paper. Although money is abundant, lenders seem disinclined to make loans on time, except at higher rates than were asked early in the month (May) and previously. It is anticipated that there is likely to be a contraction of the bank circulation, and this with the foreign demand for gold, the decline in prices and the near approach to the time when more money will be demanded to move the growing crops have led to the present condition of the United States money market. Prices tend downwards, and some of the branch railroads are making unfavorable returns. The aspect for the future depends much on the harvest. The prospects for winter wheat are said to be favorable, and it is too soon to make any forecast as to the spring crops. The export of gold is accepted as an indication that there is no large demand for American securities abroad, and the imports into the United States are increasing at an uncomfortable rate, while the exports are diminishing, and not likely to recover until after the harvesting of the winter wheat crops.

BOGUS WINES AND SPIRITS.

During the last few years the business of manufacturing wines, brandies, gins and other spirits, and branding them with "taking" foreign titles, has become of no little importance in Canadian trade. There are in Montreal and other cities several of these avowed re-distillers who buy Canadian whiskies and "doctor" them to suit the demand for imported wines or spirits. It is not, however, the avowed maker of wines, etc., who is competing for the trade; one or two large dealers who despise the business are making a fortune at it. But without the duty-paid mark it is difficult to sell these goods to some dealers; notwithstanding the brands, labels and other foreign marks affixed in Canada; the manufacture is, therefore, to some extent conducted in France, and