

LESSONS OF THE PAST.

Tariffs and Complete Reciprocity Cannot Co-Exist Permanently Between Two Nations, Says**Mr. E. B. Biggar.**

A reciprocity treaty is an illogical step to a logical conclusion, so writes Mr. E. B. Biggar, Toronto, in a well-written and interesting pamphlet discussing the economic aspects of trade treaties in protectionist countries. "That conclusion," he continues, "is free trade between the parties to the agreement, and, so long as any tariff at all is maintained between them, the treaty must in course of time work injustice to one or the other, and come to an end. This is so because a treaty made for a term of years assumes a fixity of conditions in a world of change. As the lives of individuals, so the lives of nations are undergoing perpetual changes, and the economic and political conditions which exist in one decade will never be repeated in the next or any succeeding period. The chip thrown on the bosom of the river now will be miles down stream an hour hence, and will never return as long as the river flows.

Fixed Treaty Unsuitable.

"The economic relations between any two countries, which would give perfect equality at the time a treaty is negotiated will, in accordance with this law, render any fixed treaty an instrument of unstable equilibrium. The recognition of this law of perpetual flux is what is bringing protectionist nations to see the need of permanent tariff commissions, by which the tariff may be adjusted to the constantly changing conditions of international trade. We have already seen how this law of change operated in the history of the previous reciprocity contract.

"No sooner was it signed than new necessities arose, by which Canada was soon to be compelled either to uproot its whole economic system or to make modifications in its tariff which materially changed the terms upon which the manufacturers of the United States were doing business with this country; while on the other side of the line a political convulsion forced on economic alterations of a still more profound nature. These changes compelled the United States to terminate a compact, even though many of their statesmen foresaw that its cancellation would start the provinces on a new path that would close the door forever to that organic union to which the treaty seemed likely to lead. The war put an end to the treaty more quickly, but the tariffs would have ended it sooner or later, war or no war. The only alternative that could have made the treaty permanent was to include all products in the zone of free interchanges, and this would have involved a common tariff against the rest of the world.

Readjusted by the Dominant.

"Such a tariff would naturally be framed and readjusted at the will of the dominant partner. In short, while any tariff system is maintained between two countries, reciprocity in a wide sense is doomed to abortion from the day of its conception. When reciprocity is complete it is no longer reciprocity, but free trade between the parties to the agreement. Tariffs and complete reciprocity cannot co-exist permanently between two nations. Partial reciprocity may exist with tariffs, but both would have to be readjusted with changing conditions, and every readjustment involves discriminations against other nations not parties to the agreement.

"A reciprocity treaty is between nations just what a contract is between two individuals who propose to fix terms and conditions with each other on articles, the prices and supply of which are not under their own control. If Farmer A. says to Merchant B.: 'Let me sell you my crop of wheat for ten years to come at 90 cents a bushel,' and B. accepts the proposition and signs an agreement, it is certain that, if next year and for the following nine years the market price of wheat averages only 75 cents, B. will be the loser; while, if wheat for the same term of years went up to an average of \$1 a bushel, A. would be dissatisfied with his own proposition. These two men, like two nations, attempted to fix relations between them without reckoning changes outside of their own relationship, which they could not govern, and one or the other must be disappointed.

As to Legislative Control.

"If tariffs were entirely eliminated between two countries and a common tariff adopted against the rest of the world, it would not follow that equality of advantage under that common tariff would exist in trade with the world unless legislative control were also equally divided between the two, and unless the natural and industrial products were the same. This would not be the case in two countries like the United States and Canada, either as to legislation or industrial conditions, because foreign trade has also to be taken into

the account and the special commodities of Canada's foreign trade are different from those of the United States.

If an approach to free trade is the object aimed at in a reciprocity treaty, is it not more logical to move in this direction by a reduction of the tariff, or its entire removal, for the whole world. In the case of Canada and the United States, for example, we find that for nearly a hundred years the tariff of the latter country has been higher than this country by a large percentage, and, therefore, if free trade is sought, the more complete the reciprocity, the more backward the step would be if Canada yoked herself into a system whose tariff is from two to five times as restrictive as her own. If free trade is good as between Canada and the United States, it is still better as between Canada and the whole world. This reduces commercial union with the United States to an absurdity, as a move towards free trade.

Total Trade is Limited.

"A reciprocity treaty, being an attempt to fix a landmark in a mid-ocean of change, is not only bound to tend to an unstable equilibrium, as between the two prime parties to the contract, but each new treaty negotiated with other nations must end in a greater or less breach of the terms and advantages already pledged by the previous bargains. It may not be a conscious breach of faith, but every fresh contract must necessarily qualify the preferences given to the others, since the total of a country's productive powers, and consequently the total of its trade, cannot be multiplied by ten because it makes ten treaties. Its total trade is limited to the productive capacity of its individual workers. Canada has had an example of this in the commercial treaty with France. That country, for certain equivalent privileges, bought what it thought would be a special market for its silks, wines, etc., but under the favored nation treaties the chief advantage has been reaped by Switzerland and Italy, whose silks and other goods proved to be more adapted to the Canadian demand. It does not lessen the force of the argument to explain that the favored nation treaties, and not a specific reciprocity treaty with Italy and Switzerland, deprived France of the benefits she expected to get. The favored nation clause is only an automatically operating reciprocity effect.

PROGRESS OF NEW BANK.

Seven million dollars of the new bank's capital to be taken by French bankers has been heavily oversubscribed. The total capital is \$10,000,000. The name proposed for the institution is the Banque du Canada, but this will probably be changed. Half of the \$3,000,000 of capital allotted to Canada has been underwritten, so that practically the entire capital is assured. The undertaking is meeting with strong support, it being admitted that in view of the large amount of foreign capital seeking investment in Canada there will be room for a new banking concern. Mr. Forget and those associated with him have been instrumental in attracting French and other capital to the Dominion and they realized the opportunity that existed for the establishment of such an institution as the one proposed, which will probably be conducted on conservative lines.

While a large portion of the capital of the new bank will be supplied from France, a majority of the directors will be British subjects and the new bank will be thoroughly Canadian in its scope and aspirations.

The proposal of Mr. Forget to name his institution the Banque du Canada will meet with the opposition of the Finance Minister, who will regard the title now given to the Forget bank with the same importance which their titles give to the Bank of England and the Bank of France. If precedent is followed the Forget institution will be compelled to taken another title in order to obtain incorporation.

GUELPH AND ONTARIO INVESTMENT AND SAVINGS SOCIETY.

The Guelph and Ontario Investment and Savings Society has closed a successful year's business. The reserve fund of the Society now amounts to \$300,000, being over 67½ per cent. of the paid-up capital. The total assets are \$2,680,752.44. The net profits for the year amount to \$68,463.53, which with \$10,603.04 carried forward from last year shows \$79,156.57 available for distribution as follows:—Dividends No. 68 and 69, \$35,520; transferred to reserve fund, \$33,000, balance carried forward, \$10,636.57. On account of the large increase in the society's business the directors deem it advisable to make a further issue of capital stock, and a by-law authorizing this will be submitted for the approval of the shareholders.

The thirty-fifth annual report of the society is a satisfactory one, and in view of the company's large earnings the president felt warranted in predicting an increase in the dividend rate in the near future.