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THE NEW STORY.

In this issue we give a further liberal installment of WILKIE COLLINS' new story,

THE LAW AND THE LADY.

This story, considered the best yet written by Mr. Collins, was begun in the CANADIAN ILLUSTRATED NEWS of Nov. 7, (Number 19).

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CANADIAN ILLUSTRATED NEWS.

Montreal, Saturday, Feb. 20th 1875

WHY RECIPROCITY FAILED.

An examination into the causes which have led to the failure of the Reciprocity Treaty is in order. We are not aware what revelations the production of the papers demanded by Mr. BROWN may lead to, but pending their publication, we think we have already sufficient information lying on the surface, to account for the defeat of that important instrument.

In the first place, there is the Protectionist feeling uppermost in the United States, or at least in the present Congress which counts a Republican majority. The underlying principle of this Protectionist policy is to secure an excess of exports over imports, or to receive more money from foreign countries, than is paid out to them for necessary articles, either raw material or manufactured goods, in the country. When the Canadian Commissioners opened their negotiations, one of the chief arguments presented by them to the American Commissioners was that, since the abrogation of the Treaty of 1854, the balance of trade had inclined towards Canada, rather than the United States, and it was hoped that this exhibit would act as a powerful inducement with the Americans. But the reverse proved the fact. Either through unwillingness to accept the authenticity of this exhibit, or through positive disbelief therein, Congress failed to be convinced that the United States would recover their balance of trade with Canada by the new Treaty. Perhaps, too, Congress was suspicious of a snare, because, after all said and done, it looked strange, to say the least, that if Canada had actually benefitted by the abrogation of the late Treaty, it should be so anxious to surrender those advantages, by the negotiation of a new one. In vain were statistics produced and discussed. It is proverbial that tabulated figures may be manipulated at will, and made to square with almost any preconceived theory.

But there is another and a deeper cause of the failure of the Treaty. Some two months ago a manufacturing deputation called upon Lords DERBY and CARNARVON to complain of the discrimination as against them which the measure would necessarily entail. In reply, the deputation was assured by both the Foreign and Colonial Secretaries that differential duties would not be allowed in Canada, so long as that Colony formed part of the Empire. This incident, strange to say, passed almost unnoticed in our Provincial papers, and, where it was commented on, its importance was entirely overlooked. One Ministerial paper in this city actually so far misled its readers as to affirm that the interview was an expression of Imperial favor towards the Treaty. A Toronto organ, appreciating the matter more correctly, tried to diminish its effect by asserting that the deputation was not composed of representative British manufacturers. However that may be, it is none the less true that the declaration of Lords DERBY and CARNARVON may be said to have killed the Treaty. When the Americans learned from them that differential duties would on no account be allowed, they perceived that they lost the one tangible advantage which they might have expected from the Treaty. This we stated distinctly at the time, and we find that Hon. Mr. FORSTER, who was in this country at that epoch, took the same view of it. In a speech delivered at Bradford, after his return to England, he touches expressly on this point. Furthermore, the SATURDAY REVIEW enters fully into similar explanations and as a justification of our own opinions, we cannot do better than quote a few lines from it.

"If the Treaty had been concluded without any stipulation as to duties on maritime imports, the American markets would have been virtually opened to the English and European produce which is at present discouraged or excluded. It would have been impossible in many cases to distinguish articles of Canadian origin from imported goods; and in a short time the whole Transatlantic trade to the United States would have been diverted to Canadian ports. A large part of the Canadian revenue is derived from Customs duties, which at present average from 20 to 25 per cent. on the value. If American goods had under the Treaty been admitted at lower rates of duty, the Government of the Dominion might perhaps have thought it necessary to increase the Customs duties, and they would certainly not have reduced them. No provision for the security of English trade was included in the draft of the Treaty, and, when the arrangement was once complete, remonstrance would have been too late. Lord DERBY, who is responsible for treaties, and Lord CARNARVON, who conducts the intercourse between England and Canada, promised that they would not sanction any compact which might tend to impose differential duties on English trade. It would have been extremely inconvenient that the threatened danger should be averted by the exercise of the prerogative of the Crown. Colonists, notwithstanding the assurances of Mr. FORSTER's friends, are always prone to prefer their supposed interests to their allegiance; and the rejection of a Treaty approved by the Canadian Legislature would have been represented as a grievance both in the Dominion itself and by sympathetic American agitators. A Treaty which must have been objectionable to England, if it had been acceptable to the United States, ought to have been in the first instance discountenanced by the Colonial Office."

For those who favor British connection the defeat of the Treaty is simply a great relief. For those who favor severance from the Mother Land, and the trial of an independent national existence, the event may be regarded with concern, because, of all the agencies which could have led to the consummation of their wishes, none would have been so effective as free trade with the United States, and discrimination against British commerce.

AN AMERICAN DEFICIT.

While here in Canada there has been and still is a dispute as to Mr. CARTWRIGHT's alleged deficit of last year—a striking commentary on the ignorance of public men in financial matters—there seems none whatever as to the depleted condition of the American exchequer. In an interview with the Committee of Ways and Means, the Secretary of the Treasurer stated that at the outside he could not expect a greater gold revenue for the coming year than \$150,000,000. He must first pay some \$98,000,000 of coin interest, and next, on account of the Sinking Fund, he must use \$30,000,000 more, leaving a balance of only \$22,000,000, which under the law could be paid into the Treasury for the general appropriations of the Government. Adding to these \$22,000,000, \$105,000,000, which it is estimated will be received from internal revenue, the total amount of resources at the control of the Secretary to meet appropriations made for the general expenses of the Government, would thus amount to only \$127,000,000. In any event, with the utmost possible economy, the Secretary regards an increase of revenue from \$30,000,000 to \$40,000,000 as absolutely indispensable to meet necessary expenses.

Some surprise was naturally expressed at this state of things, but the stern facts had to be met and increased taxation became a necessity. We commend this view of things to our Canadian readers, for whom a similar necessity may soon arise. The mercantile community foresaw in a measure the imposition of these new taxes. For some months the importations of tea and coffee have been unusually large, and great quantities of these articles are now held in anticipation of the restoration of the duty. All the distilleries of the country have been and are turning out heavy quantities of spirits, which are held for speculative purposes. The importers of articles on which the duty was reduced 10 per cent. in 1872, are withdrawing these goods from bond in great quantities, expecting that duties will be restored to their old standard, and this explains the temporary increase of revenue from importation. Taking into account all these facts, the Committee does not see how much increase of revenue can be secured within a year, and fears that the result will be that the Government will have trouble to carry out the provisions of laws respecting the national debt. Some additional revenue may be secured by raising the duty on sugar, and Congress may be able to discover other articles on which tax may be increased and in which it will not be possible to make speculations in advance.

A bill in this sense was framed to be presented to Congress. Its principal provisions are the following duties. The present tax per gallon on whiskey is 70 cts. The new bill will increase it to \$1 per gallon, and 15 cts. per gallon will be added to the stock now on hand by wholesale dealers and in bonded warehouses, or in the hands of rectifiers. A corresponding increase of duty will also be laid on all imported spiced brandies, gins, and rums. The bill will provide for 25 per cent. increase of duty on all grades of sugar; but the present classification will not be disturbed. This will add somewhat less than 1/2 cent per pound to the duty, and is expected to increase the revenue about \$8,000,000. The act of 1872 reduced the tax on certain manufactured articles 10 per cent. The present bill restores that tax. Tobacco is taxed according to its quality and manufacture. The tax is increased by the present bill on all grades at the rate of 4 cents per pound. The tax on matches is to be repealed by the present bill.

Several of New York papers take exception to these new taxes and go into elaborate figures to prove that proper retrenchment at Washington would easily fill up the contemplated deficit. They show that the cost of the Government can be and should be diminished thirty million dollars a year. The navy cost \$19,431,027

in 1871, \$21,249,810 in 1872, \$23,526,257 in 1873, and \$30,932,587 in 1874. For the three years 1869, 1870 and 1871, the average cost of that service was only twenty million dollars, and in 1860 only \$11,514,650. Ten million dollars can be obtained by cutting down the cost of the navy. Public buildings and river and harbor improvements are now costing fifteen millions a year. In the year ended June 30, 1860, less than twelve hundred thousand dollars were expended on them. Another ten million can be saved there. The Treasury bureaus, many of them at all events, the Customs service, the Department of Justice, the Capitol, the Interior Department, and most branches of the public service, are overrun with men, women and boys who do not do two fair days' work in a week. The import trade is far below its dimensions in 1872, yet it cost \$6,950,190 to collect the customs in 1872, \$7,079,743 in 1873, and \$7,319,918 in 1874.

TRADE AND NAVIGATION.

The following statement will show the annual increase in the trade of the four original Provinces of the Dominion, exclusive of those subsequently admitted to the Union.

Year ended 30th June, 1868..	Exports.	Total Imports.
do do 1869..	\$7,567,888	\$ 73,456,644
do do 1870..	60,474,781	70,415,165
do do 1871..	73,573,496	71,814,339
do do 1872..	74,173,618	95,838,908
do do 1873..	80,682,015	108,687,928
do do 1874..	87,756,582	124,502,000
do do 1874..	85,711,413	122,422,418

Aggregate for seven years. \$519,893,797 \$670,551,576

A glance at this table is sufficient to show, not only a steady, but a rapid increase in the commerce of the four Provinces included in it, since the accomplishment of Confederation. The slight falling off in the imports of 1869 is scarcely noticeable, and the decline of two millions in the value of exports, and two and one half millions in that of the imports of 1874, is attributable to the depression prevailing in the United States in all departments of trade, rather than to any reverses originating in Canada. Indeed, the whole difference in the aggregate values of imports between 1873 and 1874, may be accounted for by the reduction in prices, not only in the United States, but also in Great Britain during the latter year, and is not to be accepted as indicating a reduction in quantities. This will be apparent when it is remembered that an average reduction of two per cent in values would account for the whole decrease of 1874.

For the present fiscal year (1874) the total Dominion exports and imports include the following amounts for Manitoba, British Columbia, and Prince Edward Island:—

Manitoba.—Exports, \$797,762. Total imports, \$1,797,033. Entered for consumption, \$1,853,659. Duty collected, \$67,471.97. British Columbia.—Exports, \$2,120,624. Total imports, \$2,085,569. Entered for consumption, \$2,048,336. Duty collected, \$336,494.47. Prince Edward Island.—Exports, \$722,129. Total imports, \$1,908,522. Entered for consumption, \$1,913,696. Duty collected, \$219,458.07. The exports of British Columbia consist, to the extent of about one half, of gold in dust and bar, and the remainder is fairly divided between other products of the mine, chiefly coal, the forest, the fisheries, and animals and their produce. Of the exports of Prince Edward Island, about two-thirds consist of agricultural products and animals, the principal trade being with Great Britain.

The great disparity between the values of imports and exports in each of the last two years, may, to many persons, appear to be a startling feature in the commerce of the Dominion. Many imagine that it is essential to a healthy condition that one should nearly, if not fully, balance the other. This is by no means true. Our imports represent a largely increased value immediately after reception in Canada, and are therefore fair assets against our indebtedness at that additional valuation. A very large proportion also of our