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The Journal of Commerce
FINANCE AND INSURANCE REVIEW.

MONTREAL, JUNE 20, 1879.

CANADIAN COMMERCE.

Under the title of "Canadian Protection Vindicated" Mr. D. McCulloch has contributed an article to the London *Fortnightly Review* which has attracted some attention, and has been highly commended by several of our contemporaries. The professed object of the article is to enlighten English readers on the subject of the commercial policy of Canada, and to convince them that the existing depression has been mainly caused by the change in the trade of Canada with the United States. It has been often alleged that figures can be manipulated to prove anything, and we must confess that Mr. McCulloch has adopted a mode of stating his case, that is by no means calculated to convey a correct idea of the course of our trade to persons wholly unacquainted with facts. We find a statement of the Canadian exports and imports during six consecutive years classed under the respective heads of exports to Great Britain and to the United States, and imports from Great Britain and the United States. Then there is an assertion that the foreign trade of imports and exports

fell from \$217,304,516 in 1873 to \$170,523,244 in 1878, but there is not the slightest reference to detail, and without a careful examination of the causes of the falling off, it is impossible to arrive at anything like a correct conclusion.

In commenting on the figures which he has laid before his readers, Mr. McCulloch informs us that "the depression in Canada followed the inroad of the American manufactures, workmen were dismissed, production was curtailed and stagnation of trade ensued." Now, we should have been glad if Mr. McCulloch had explained how a mere transference of the trade in certain articles from England to the United States, which is the point which he aims at establishing, could cause depression in Canada, or lead to the dismissal of Canadian operatives or the curtailment of Canadian production. The allegation is that the United States has been able to supply Canada with certain classes of goods formerly imported from the United Kingdom on more advantageous terms, indeed Mr. McCulloch is a believer in the "sacrifice market" theory. He affirms that "the manufacturers of the United States struggled to keep up paying prices in their own market, and made only such sacrifices there as were absolutely forced on them," and adds that "all that was sold in Canada, either at the actual cost of production or even at a small loss, was an assistance from without towards keeping their factories open and their machinery at work, and was a positive gain so long as they could make a small profit on their home sales which were the bulk of their business." For several years past the Americans have had two price lists, one for Canada and another for the United States.

It is far from our present intention to discuss the "sacrifice market" theory in which, judging from the foregoing extracts, Mr. McCulloch is an implicit believer. It is based on the assumption that the American manufacturers have entered into a combination to sell their manufactures in Canada at less than first cost, so as to avoid the natural result of over productiveness in their own market. On the assumption, which we are willing for the sake of argument to admit, that this statement is correct, we should be glad to learn what bearing it has on the figures produced by Mr. McCulloch. The depression is, he alleges, owing to the interference of the Americans with Canadian manufacturers, and he aims at proving that there has been not an increase of imports, but a very serious curtailment.

Let us take the article of "cottons" in which Canada competes both with Eng-

land and the United States. The aggregate imports of cottons in 1873 were \$10,076,214 and in 1878 \$7,104,517. Why, we would ask, should this falling off in imports cause depression in Canada? Of course, one cause of the decrease is the reduction in the value of goods, but the main point is that Mr. McCulloch's figures, instead of supporting his case, may fairly be adduced to destroy it. It is our present intention to subject Mr. McCulloch's figures to an examination that will, unless we are greatly mistaken, prove that they utterly fail to establish his point, which is that the depression in Canada has been caused by the inroad of American manufactures. We shall in the first place call attention to the export trade, and we shall accept the years selected by Mr. McCulloch as a fair illustration of the course of trade. The aggregate exports in 1873 were \$89,789,922, and in 1878 \$79,323,667.

It is desirable for our present purpose to institute a comparison between the goods exported which were the produce of Canada, and which are so distinguished in the trade returns. This would give \$73,245,606 in 1873, and \$65,740,134 in 1878, or a falling off of \$7,485,472. In 1873, the exports to the United States in round figures were \$33,500,000, to Great Britain \$31,500,000, and to other countries \$8,000,000, while in 1878 the exports to the United States were \$22,000,000, to Great Britain \$36,000,000, and to other countries \$8,000,000. We shall proceed to enter more into detail. In 1873, the exports to the United States of "products of the forest" were \$12,498,472, and in 1878 \$4,481,053. Products of the mine in 1873 were \$5,139,897, and in 1878 \$2,472,979. Animals and their produce in 1873, \$6,540,437; in 1878, \$4,483,106. Agricultural products were much about the same. The returns show that the exports to Great Britain of "products of the forest" were much the same in 1878 as in 1873; but, as prices were lower, the quantities must have been much greater. There was an increase in "animals and their produce" to Great Britain of about \$2,000,000, and of agricultural products of about \$2,500,000. These are the three important branches of our exports.

The falling off in the exports of produce of the forest between 1873 and 1878 was \$9,000,000, or about \$1,500,000 more than the aggregate falling off. There was also a falling off in products of the mine, of about \$3,500,000. There was an increase in the produce of the fisheries of about \$2,000,000; in agricultural products of \$2,000,000; in manufactures of \$1,000,000,