

# "THE OUTLOOK FOR NEWFOUNDLAND."

Address Delivered by A. B. Morine, Esq., K.C., Before Llewellyn Club.

Mr. Vice-President and Gentlemen,

The speaker and the subject for tonight were chosen by the President (Rev. Dr. Jones) and he is responsible for advertising my address as a "lecture," which I declare it is not to be. The "Outlook" which I am to speak about is not the spiritual one, for as in the care of Dr. Jones and men of his cloth; neither is it the Party Outlook for I am not a party man. I was elected to the Assembly in 1914 as an Independent, and only joined the Cahn cabinet in 1919 because parties in the Assembly were so evenly balanced that it was necessary for me to join one of them in order to form a Government. My erstwhile constituents, apparently, did not approve, and I was defeated in the autumn of 1919, since which I have taken no active part in party work, though I have maintained my interest in the larger public questions. I speak tonight, therefore, as one of the "Elder Statesmen," as the Japanese call them, as a Philosopher and a Prophet, looking over the public field with the eye of experience, in what I have to say to-night, therefore, I shall not extenuate, nor ought set down in malice, but I beg to be charitably judged if inaccuracies occur. I shall speak to-night of the "Outlook for the Colony" as a whole in relation to trade, finances and matters of that kind. You will not expect to be amused, for I have not, I hope, any reputation as a humorous speaker. The Legislature sitting now seem to give more in that line than I can hope to afford.

## EXTERNAL TRADE.

And first I wish to draw your attention to the marvelous increase which has taken place in the external trade of the country; by which I mean the volume of combined imports and exports. From the following table you will see that the average increase in the seventeen years next preceding the war was normal, and that during the war period it was very abnormal. A trade totalling \$11,000,000 under Whiteway, in 1897, amounted to \$30,000,000, under Morris in 1914, \$70,000,000, under Cahn in 1919, and \$76,000,000, under Squires, in 1920. I have chosen the last full financial year under various Premiers, but do not wish to say that the premiers named were in any sense to be credited or blamed, as they, of course, had very little to do with results; but the use of the names will prove convenient in all the following tables.

The average of the total trade for the 17 years before the Great War was \$27,400,000 per year, and the average for six years during the war was \$56,500,000, an increase, due to increased

prices rather than to increased quantities. I think, though it is impossible to tell from the statistics how much of the increase was due to quantity, and how much to quality.

## TOTAL IMPORTS AND EXPORTS.

1897-Whiteway	11,000,000
1900-Winter	10,000,000
1904-Bond	20,000,000
1908-Bond	23,000,000
1914-Morris	30,000,000
1919-Cahn	70,000,000
1920-Squires	76,000,000

## THE COLONY'S IMPORT TRADE.

I turn now to consider the imports of the colony. The figures given in customs statistics show the cost of imported goods in the country from whence imported. To ascertain the cost to the colony, you must add the freight paid to carriers not owned in the colony. To ascertain approximately what the imports cost the importer, you must add Customs duties as well as freight, and to the importer's cost you must add his profits, if you wish to know the cost to consumers. You will note from the following table that the imports increased from \$6,000,000, under Whiteway, in 1897, to about \$15,000,000, under Morris, in 1914, an increase of \$9,000,000, in 17 years, or an average annual increase over that period of \$535,000 a year; but from the end of 1914 to the end of 1920 there was a total increase of over \$20,000,000, averaging \$3,500,000 increase per year for the five years ending 1919, and there was an increase of \$2,600,000 for the year 1920. In the latter year the increase was not as rapid as in previous years. Decreasing prices had commenced to affect the value of imports. If the war had not caused an abnormal increase, and the pre-war normal increase had been continued, the value of imports in 1920 would have been about \$18,000,000 instead of \$15,000,000, so that the increase of \$18,000,000 above the normal in peace times, or 100 per cent. may be attributed to abnormal war conditions. If you were to calculate upon a continued increase in imports for several years to come upon the pre-war basis, you would find that by 1925 the imports should total under \$22,000,000, and as the total revenue of the colony from all sources averages on the present basis about 25 per cent. of the value of imports, you must arrive at the conclusion that if custom's duties were not increased, the revenue of the colony by 1925 would be about \$5,500,000. Of course, between this and the end of 1925 conditions will not be normal, and it will be very hard to estimate revenue collections. On the one hand, there will probably not be an increase in the quantity of

goods imported, but on the other hand, the prices will continue to be decreasingly above the normal. Next year, probably, imports will decrease both in quantity and value, and afterwards normal increases in quantity and decreases in value may be expected to continue for some years until world affairs have been re-established on permanent bases.

## IMPORTS.

1897-Whiteway	5,938,334
1900-Winter	7,497,147
1904-Bond	9,448,664
1908-Bond	11,156,111
1914-Morris	15,193,726
1919-Cahn	32,297,184
1920-Squires	35,986,665

## NORMAL IMPORTS-ON PRE-WAR BASIS.

1913-14-actual	15,193,726
1914-15-calculated	15,723,000
1915-16	16,463,000
1916-17	17,003,000
1917-18	17,533,000
1918-19	18,073,000
1919-20	18,603,000
1920-21	19,143,000
1921-22	19,673,000
1922-23	20,213,000
1923-24	20,743,000
1924-25	21,283,000

## THE COLONY'S EXPORT TRADE.

For the purpose of Customs returns the value of exports is calculated in this way—to the average local cost is added the expense of handling, and the total is stated as the value of the Export Trade of the Colony. If you want to estimate what the real earnings are, you must add the freight paid to carriers owned in the colony, and profits made by the exporters, and you must deduct the losses met with by exporters. The official returns of exports for this year, for instance, will show a much larger amount than the actual value of the exports of the colony when realized, because the value will be stated in these returns on the basis of the prices paid here last year for fish, upon which great losses have been incurred in realization. The official figures concerning exports, therefore, are not really reliable. On looking at the following table, you will see that the value of exports increased from \$5,000,000 in 1897, under Whiteway, to \$18,000,000 under Morris, in 1914. The increase in exports was almost the same as the increase in imports during that period. In other words, in the 17 years last preceding the war, the export trade increased about \$600,000 annually, but from \$15,000,000, in 1914, the exports amounted to \$37,000,000, under Cahn, in 1919, and to \$40,000,000 under Squires, in 1920, and the average increase in the war period was \$5,000,000 per year. In the pre-war period the value of exports exceeded the value of imports by about a million and a half dollars per year, but in the war period, the results were startlingly reversed, the value of exports exceeding the value of imports by about \$5,500,000 per year, or a total of more than \$20,000,000 in the six year war period. To the surplus of earnings and outgoings shown by these facts, you must add profits from increased value of vessels and other property sold abroad, and such profits as exporters may have made over and above the estimated value of their exports, and you will arrive at an enormous sum as the apparent surplus of earnings in the war period.

## EXPORTS.

1897-Whiteway	4,925,789
1900-Winter	8,627,576
1904-Bond	10,381,897
1908-Bond	11,815,769
1914-Morris	15,134,543
1919-Cahn	36,784,618
1920-Squires	40,533,385

## Normal Revenue on Pre-War Basis.

1913-14-Actual	3,818,329
1914-15-Calculated	3,853,000
1915-16	3,968,000
1916-17	4,103,000
1917-18	4,238,000
1918-19	4,373,000
1919-20	4,518,000
1920-21	4,653,000
1921-22	4,778,000
1922-23	4,923,000
1923-24	5,068,000
1924-25	5,198,000

## REVENUES OF THE COLONY.

I turn now to consideration of the revenues of the colony. About 90 per cent. of these are derived from customs duties. The proportion was even in the past, but of recent years excess profits and income taxes have amounted to a very large sum. There are also earnings from Crown Lands and Posts and Telegraphs. But generally speaking, the revenues from all sources are about equal to 25 per cent. of the total importations. By reference to the following table, it will be seen that in the 17 years just preceding the war, the revenues increased from \$1,600,000, in 1897, to \$3,818,000, in 1914, or an average rate of increase of \$135,000 per year; an increase due in the main to increased population, and increased cost of goods, but at the end of the six years' war period from 1914 to 1920 the yearly revenue had increased \$7,000,000, or an average per year of \$1,166,000. Even in 1920 this amount of increase was almost reached, though there were signs that it would not continue, and from the 1st of July, 1920, the decline has been exceedingly rapid. By the end of February last, when the total revenue, to be equalled that of the previous year, should have been \$6,000,000, only \$5,000,000 had been collected. The customs revenue had decreased \$1,300,000, but there had been slight increases from other sources. As prices abroad progressively decrease, and as the purchasing power of the people is progressively less, from the lower price received for fish, and for labour, the decrease in Customs duties must become much more rapid, and with that feature I shall deal presently.

## Revenue and Expenditure.

Year.	Imports.	Total Rev.
1921-22	\$19,000,000	\$4,750,000
1922-23	\$19,500,000	\$4,875,000
1923-24	\$20,000,000	\$5,000,000
1924-25	\$20,500,000	\$5,125,000

But of course in the years that we have first in front of us, normal increases in imports on pre-war basis will not take place. For this current year, for instance, instead of being \$19,000,000, as they would have been on a normal pre-war basis, they will

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What has become of it? In my mind a very large portion has been deposited in savings banks, and is, therefore, safe. The fishermen, laborers and middle classes generally are better off than they have been. But on the other hand, a large portion of the surplus has been lost in the depreciation of shipping, and recently in great losses on fish in foreign markets; so that I believe that the merchant exporters and traders generally have lost what they accumulated in war times, and are generally poorer to-day than before the war. As to enormous investments in shipping, this paradox is true, "that what the owners have lost they have saved, and what they have saved they have lost," for what they have lost they have been paid for by insurance, and what they have saved is largely unseizable. The broad lesson drawn from this is that the fishing classes are the capitalists upon whom dependence must be put during the near coming years, as they to a large extent will have to finance themselves in carrying on their various occupations.

I turn now to consideration of the revenue and expenditure for the current year. I am forced into the region of estimate, based upon certain figures for the months that have passed, and upon certain calculations of what is yet to come for the four months ending on the 30th of June next. The present Minister of Finance, in his Budget speech last year estimated the revenue for this current year at \$11,000,000. He said that "in view of the world wide depression and unrest now existing, it may be asked if I am not over-optimistic. I do not hesitate to reply 'No.' The sources of revenue, which for the past few years have been so prolific, we anticipate will maintain their productivity without serious abatement during the coming year." Unfortunately, that prophecy has been falsified. As I have just mentioned, the revenue to the end of February last fell below the record of the previous year by \$1,000,000, and I understand that during the month of March, the shortage was abnormal, so that the total amount at the end of last month to about \$1,750,000. My own estimate is that within the four months of the last financial year, something less than \$3,000,000 will be collected in March, April, May and June of this year, and I rather regretfully estimate that the total revenue during the current financial year will not exceed \$5,000,000, or \$3,000,000 less than the estimate. The estimated expenditure on the other hand for this current year was \$10,250,000. I add the sum of \$750,000 for ordinary contingencies, making a probable ordinary expenditure of \$11,000,000. A very heavy loss in the operation of the Reid Railway system, assumed by the Government, and in connection therewith the loss on mail steamers, may be estimated for this year at \$2,000,000, so that total expenditure on current account will reach \$13,000,000, and a deficit of \$5,000,000 for this current year is highly probable. Now, if abnormal increases during the war are put aside, and normal increases allowed for on the pre-war basis, and it is calculated that the revenue collected is about 25 per cent. of the value of imports year after year, the revenue account for approaching years should work out about as follows:

Year. Imports. Total Rev.  
1921-22 \$19,000,000 \$4,750,000  
1922-23 \$19,500,000 \$4,875,000  
1923-24 \$20,000,000 \$5,000,000  
1924-25 \$20,500,000 \$5,125,000

But of course in the years that we have first in front of us, normal increases in imports on pre-war basis will not take place. For this current year, for instance, instead of being \$19,000,000, as they would have been on a normal pre-war basis, they will

have been about \$22,000,000, as against an importation of about \$36,000,000 in 1920, a decrease due to decreasing prices abroad in this current year. To the decreases of values of total imports, due to decreasing prices, must be added large decreases due to lower purchasing power, owing to lower fish prices, and where as the importation fell this year by \$4,000,000, it may be expected to fall an equal amount next year. As years go on, the fall in prices, and, therefore, in values imported, will be decreasingly less and less, and by 1925 the normal should have been reached. I estimate, therefore, an import value of say \$28,000,000 in 1921-22, and an average constant decrease thereafter until a total import value of not more than \$22,000,000 is reached at the end of 1924-5. My calculation on this point is given in the table (above) as to normal imports on pre-war basis. Many people contend that the pre-war basis of prices will never be reached hereafter, but the outlook for sale of our fish, and for our labor, inclines me to the belief that this Colony will resume her normal in value of importations by 1925. With the decrease in value of imports must go on a decrease in revenue from customs sources unless the customs duties are increased, and if no change takes place in them, it may confidently be estimated that the revenue in 1921-22 will be a million dollars less this year, and progressively thereafter \$500,000 per year until in 1925 the total revenue collected will have decreased to about \$5,500,000; therefore, if the ordinary expenditure were to continue at the present rate of \$11,000,000 in round figures with a loss on the railway operation of \$2,000,000 yearly, an annual deficit varying from \$6,000,000 next year to \$7,500,000 by the end of 1924-25 may be expected. From this debacle there is no escape except by decreasing expenditure or increasing revenue, or by both. Borrowings on capital account, cannot be long resorted to, in the condition which the credit of the country will be in, and to borrow and add to the public debt, would only increase the burden of interest. The Colony, therefore, is now in the face of circumstances which call for heroic treatment.

## RAILROAD OPERATION.

Intimately associated with the questions of the Colony's finances is that of the continued operation of the Reid Railway system, with its connecting steamboats. Statements furnished by the Reid N. Co. show that in the 18 years of the operation of the Railway, from the time of the amended contract made by the Bond Government in 1901, to the 30th of June last, \$4,000,000 was lost by the Company in operation. If to that added the loss during the period between the making of the contract of 1898 and the amendment in 1901, the loss to the Company by operation was not less than four and a half million dollars in twenty-one years. In August, 1920, an arrangement was made between the Squires Government and the Reid Company, by which a Commission representative of both undertook the operation of the Railway at the expense of the Colony, save and except for the sum of \$100,000 to be paid by the Reid Company. The loss for the current year under the Commission, will be, I am assured, about \$1,500,000, so that if the contract of 1898 had not been disturbed, the loss to the Company to the end of the current financial year would not be less than \$6,000,000. "Wisdom is justified of her children." As the man held by his opponents chiefly responsible for the Railway Contract, 1898, responsibility for which I have always proudly avowed, I now point to the losses in operation by the Reid Co. and the Railway Commission as my justification, as proof of the wisdom of those public men who were responsible for the making of that contract. We had a vision of future conditions. Our vision has been justified. Our opponents were purblind. They have been confronted by results. We who acted for the Colony in 1898 felt satisfied that the operation of the Railway would be attended by yearly losses, and we agreed to compensate the Reid Company for those apprehended losses by giving them land subsidies. Our enemies said that we were giving them the Colony and the wealth thereof. The loss in operation has been proven; the profit from all the land given to the Reid Company has not been proven. I have been persecuted for twenty years and more for my share in the 1898 contract, and I do not expect that, the persecution will cease, though the records show that I was right, and my opponents wrong. If the loss to the Reid Company was \$6,000,000, the loss to the Government if it had been operating during all the period would easily have been double that amount. The present method of operation by Commission is unauthorized, and illegal, and was entered into in violation of the constitutional rights of the Legislature. It was made shortly after the Legislature closed, and must have been contemplated long before that. No such contract or arrangement should have been entered into without the deliberation of the Legislature. The Reid Company declares their inability to operate the road. The great cost of coal, and of labor, and of supplies generally, make a great loss in operation so certain that the Reid Company has openly declared its inability to go on. Shall it

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then be operated and controlled by the Government directly, through one of its departments, or by a Government appointed Commission. Either under the Government directly, or under a Commission, the operation will be inefficient, expensive and corrupt. That has been the experience elsewhere, as well as here. One alternative is to confide the operation to a new Company, under a new contract, and when the Colony comes to enter into a new contract, if it ever does, the terms of such a contract will be illuminating in the highest degree as to the wisdom of the makers of the 1898 contract. The question must be dealt with at once, and with courage. I suggest the making of a temporary contract with the Reid, for operation until affairs resume a normal condition. The present dual control should be abandoned.

(To be Continued.)

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