

BRITISH CONNECTION AND CANADIAN POLICY.

No. V.

I have endeavoured to show the important and fundamental difference which exists between Canada's trade relations to Great Britain on the one hand, and to the United States on the other. In a general way our manufactures are *like* those of the latter country, and *unlike* those of the former; making us customers to the people of the Mother Country, but competitors with the people of the United States. True, we have in times past been large customers to our nearest neighbours, but why? Simply because we were behind in the race of improvement, and because they were making many articles which we were not making at all, or the manufacture of which was still in its infancy with us. In consenting to the Reciprocity Treaty twenty-five years ago, they did so in the firm belief that we would remain content with the business of exporting timber, fish, and farm produce, taking in exchange American manufactured goods. And so we were content for a while, but not for long. In 1858 a Protectionist movement, led by the Hon. Isaac Buchanan, of Hamilton, resulted in a tariff expressly designed to promote home manufactures, and in 1859 Sir A. T. Galt, then Inspector General, consolidated the system in the tariff of that year for Old Canada. The attempt to manufacture for ourselves was resented by the Americans then, just as it is by some people in England now; and, partly for this reason, and partly because Englishmen built and sent out the "Alabama" to destroy American commerce, the treaty was "denounced," as they say in France, at the earliest possible moment. The late Israel T. Hatch, of Buffalo, was commissioned to report on the matter, and he reported that the only kind of reciprocity the American people would have anything to do with was the exchange of their manufactured goods for Canadian raw products. On this view it was of course pre-supposed that Canada was to stand still, to make no progress except in creating facilities for the export of lumber and farm produce, and to remain content with occupying the inferior and less advanced position. In last week's CANADIAN SPECTATOR is an article over the signature of "Progress," the writer of which appears to look at the situation of twenty-five years ago, rather than the situation of to-day. Then we were manufacturing very little for ourselves—it was before the rise of manufactures in Canada—and the American market for our produce was more necessary to us than it is now. Owing to changed circumstances, although the American market is important to us for fish, barley, and sawn lumber, with nearly all the rest of our raw produce we can now do better in Europe. For the market for our fish we pay a heavy equivalent, and, as the fruits of the new policy develop themselves, the demand from other countries will relieve us of much of the anxiety which the American market for our sawed lumber always gives us. To be sure, if we were to join the Union we would at once get this market, for both lumber and farm produce, free of the 20 per cent. toll which we have now to pay to enter it. But look at the still heavier price we would have to pay in other ways. Our rising manufactures, overwhelmed by the larger establishments of New England and New York, would be in danger of perishing. We are safest as we are. Under the National Policy, with Canada commercially independent, our own market is secure to our own manufacturers; but who dare say that such would be the case were we annexed? A few years ago, ere yet our neighbours had recovered from the disabling effects of the war, there were manufacturers amongst us who wished that they only had the chance of meeting their American competitors, with free access to the market of forty-five millions of people over the way. But, unless I am greatly mistaken, there are not many who talk that way now. The boast of our being able to "whip the Yankees" in the cheap productions of iron, cotton, woollen, leather and other goods has subsided, and we don't hear as much of it as we did a few years ago. The illusion, that because once and for rather a lengthened period the Americans could not compete, therefore they are always to stick in the mud of this disability, is passing away. Let me say, rather, it has passed away, with nine-tenths of our business men. When people talk about the vast benefit that an extended trade with the United States is to confer upon Canada, they should be a little more definite. Do they mean a free market for our raw produce, or for our manufactured goods? If the former, they have to be informed that the Americans positively will not concede it on any terms, save the exchange of their manufactured goods for our raw produce. If the latter, they had better ask themselves what market they expect for Canadian cottons and hardware in the country which boasts of Massachusetts and Pennsylvania. It would be carrying coals to Newcastle, with a vengeance, for us to offer our goods to people who are ahead of us in all branches. We *might* have done the thing successfully in 1869 had we been permitted, but will any man who knows whereof he speaks say that we could do it in 1879, were custom-houses abolished on both sides? We may freely admit that the open American market for our lumber and produce would be a benefit, standing by itself. But when coupled, as it inevitably must be, with the extinction of our manufactures, then we may well say: Leave us alone, we prefer to take our own chances.

We should try to realize the great change which a few years have wrought in the relative positions of Canada and the United States. When we lowered our tariff in 1866, and when we allowed American produce still to come in

free, as under the Reciprocity Treaty, while ours had to pay 20 per cent. toll to enter the American market, the proper results of this too easy-going policy of ours did not for some time appear. The truth was that the war and its consequences *masked* for a while the operations of almost Free Trade on one side the border, with high Protection on the other, and delayed for a number of years the legitimate effects of such a state of things, which, however, showed themselves at last. From 1861 to 1873, a period of twelve or thirteen years, the 20, 25, or 15 per cent. upon our statute book was but a trifling matter as far as trade relations with the States were concerned; the war and the resulting disturbance of production and commerce, continued for years after the war itself had ceased, conferred upon us an efficient Protection of from 50 to 100 per cent. American competition had, in fact, disappeared, except in Western States farm produce and some specialties of manufacture. But a great change showed itself in 1874, our neighbours came down to "hard pan," and began to produce very cheaply, and from that time until the present year there was a rapid increase of our importations from over the border. Under our late semi-Free Trade policy this increase kept going on to an alarming degree, alarming to the people of England as much as to ourselves, had their eyes been open to perceive it. But to the truth of the situation, their eyes were blinded, and the glamour is not yet removed, nor will it be an easy task to remove it. As Carlyle, or some of the German philosophers he is so fond of quoting might say, the deep meaning of the so-called "laws" of a false trade system is upon them, and not easily will they be brought to understand that they have for thirty years been living in a dream, which the world refuses to realise for them. The change from dearness to cheapness of production, which has been going on in the United States these six years past, is nothing short of a gigantic commercial revolution. It is not enough to say that in other countries also a revolution of the same kind has been going on; those who content themselves with this slight and superficial observation miss the real, practical point that touches Canadian interests. What has to be added is that while in other countries there was little more than the ordinary change from merely commercial inflation to commercial contraction to be considered; in the United States there was also the immense, exaggerating operations of the greatest civil war that the world has ever seen to be taken into account. In other countries a great change happened, but in none so great as in the United States. In no other country was there developed so large and widely-spread an extravagance of buying at high prices; and in no other country was the succeeding drop to low prices so great and so sweeping in its effects upon trade relations. What kind of economical "science" was it, which in all this gigantic revolution, going on at our very doors, among a wide-awake, pushing, enterprising people, of twelve times our number, saw no reason at all why we should change our policy to meet the altered circumstances of the time? There is just one way of accounting for our inaction during recent years of trial; we were "sat upon" by such a weight of English opinion, formed under circumstances very different from our own, that we were unable to think for ourselves, until stung to action by the sharp pains of adversity.

To show the way that Canadian trade was going of late years, under the old tariff, let me quote some figures which have already been published both here and in England, but which cannot be too well impressed upon our memories:—

COTTON GOODS IMPORTED INTO CANADA.

Fiscal Year.	From Great Britain.	From United States.	From Other Countries.	Total.
1873-74	\$10,295,784	\$ 933,205	\$10,878	\$11,229,875
1874-75	8,668,464	1,373,824	23,291	10,065,575
1875-76	5,326,608	2,174,169	11,616	7,512,395
1876-77	4,600,193	3,120,009	13,501	7,733,705
1877-78	4,745,292	2,318,658	14,802	7,278,505

For the five years' period next preceding—1868-69 to 1872-73—our imports of cotton goods were: From Great Britain, 93.50 per cent. of the whole; from the United States, 5.33 per cent.; and from other countries, 1.17 per cent. Comparing these proportions with the figures for the later period of five years, are we not justified in saying that a commercial revolution was going on? But let us take next our importations of hardware and manufactures of iron and steel, for six years:—

Fiscal Year.	From Great Britain.	From United States.	From Other Countries.	Total.
1872-73	\$2,416,634	\$2,208,106	\$67,618	\$4,692,559
1873-74	2,487,454	2,827,273	53,173	5,367,906
1874-75	2,265,621	2,947,090	46,300	5,259,011
1875-76	1,196,539	2,392,092	36,945	3,625,576
1876-77	942,265	2,367,970	20,349	3,330,584
1877-78	842,092	2,474,329	24,272	3,343,683

To those visionaries amongst ourselves who think that with an open frontier we would easily beat the Americans on their own ground, I put this question: If, meeting in the Canadian market on equal terms, American manufacturers beat the English in some of the most important branches, as the above figures show, what would be our chance in the struggle with our neighbours with all ports open? Let people cease their foolish talk about what the American market in general would do for us, and tell us precisely