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FEDERAL FINANCES.

When the estimates for 1883-4 were made, the Minister of Finance saw that the customs' and excise duties could not be maintained at the level of the previous year. In 1882-3 the customs realized \$23,009,582 and excise \$6,260,116. The estimate for last year was, customs \$20,250,000 and excise \$5,550,000. There was a large anticipated decrease in both items, and the amount proved to be very near what was realized; customs yielding within \$220,110 of the estimate, and excise within \$90,691. To some extent the tariff checked importation and caused a substitution of domestic for foreign manufactures. A fall of prices of some of the imports had the effect of reducing the yield from the *ad valorem* duties, and made the per centage of the specific duties, to the value of the goods, higher. On the other side, there is to be taken into account the reduction of duties on certain imported articles, which afforded some relief from taxation, and in a lesser degree, diminished the revenue. We say a lesser degree, because it is a mistake to suppose that the customs' duties form a correct measure of the taxes which the people pay. A high customs' duty on any class of goods, part of which is imported and part manufactured in the country, has the effect of raising the price of the whole of both kinds, when the quality is the same by the amount of the duty; and to arrive at the measure of taxation we must add to the customs' duties the amount by which domestic goods are raised in price through the operation of the duties. The correctness of this mode of estimate is shown by a reference to the ordinary laws of trade. Two articles of equal quality, whether of domestic or foreign manufacture, will bring the same price in the market; and every addition to the customs' duty enables the domestic manufacturer to make a corresponding addition to the price of his products. The law of competition, when it comes in, will be just as likely to make a reduction in the one as in the other. Such reduction, if made on imported goods, will probably be at the expense of profit, at some stage in the passage of the goods from the factory to the consumer; and if made on the domestic manufacture, whatever the effect

may be, the object will be to obtain for it a preference in the market.

The total revenue for the year which ended with June, if the figures be not subject to correction, was a little over thirty-one millions, derived from the following sources:

Customs.....	\$20,029,890
Excise.....	5,459,309
Total customs and excise.....	\$25,489,199
Post-Office.....	1,759,338
Public works.....	3,056,000
Interest on investments.....	986,698
Other sources.....	659,344

Total receipts on account consolidated fund.....	\$31,950,579
Receipts from Dominion land sales.....	951,636

Total.....	\$32,902,215
Expenditure on account of consolidated fund.....	\$31,185,342

Surplus for the year 1883-84..... \$ 1,716,873

The proceeds of land sales, which are here less than a million, should not ordinarily be treated as revenue. Wild land is not capital; but the proceeds of its sale belong more properly to capital than to revenue. If retained, the lands could be made to yield a revenue in the shape of rent. It may be true, that the custom of the country might prevent the public lands being held by the government, as a source of revenue through rent, but reasoning economically, it is quite clear that the time would come when they would be capable of yielding rent. If the proceeds go into the capital account, if they be expended in improvements to which the name of permanent is with more or less propriety given, the objection to classing them as revenue, for the purpose of so employing them, ceases. As a rule, the proceeds of public lands have not been treated as capital. When the United States severally donated their public lands to enable Congress to pay the public debt and to provide for the common defence, a two-fold purpose was served. The payment of a public debt requires capital; but the capital must come out of the savings of revenue. When public lands are granted in aid of railway construction, they serve a purpose for which capital is required and to which revenue is ordinarily inadequate. Such employment of public lands may be quite legitimate, since the railways, if judiciously located, and not needlessly duplicated, are beneficial to the country. To meet current expenses, the proceeds of public lands ought not to be systematically used. An occasional application of these to such a purpose may be compared to a resort to an exceptional loan to supply a deficit of revenue. The rule should be that the proceeds of land sales ought not to be counted as ordinary revenue, and its application is the more necessary in a province where the sources of revenue, outside of direct taxes, are limited, and where a resort to direct taxes requires a degree of courage which public men do not possess.

The decline of the revenue has not gone far enough to sweep away the surplus. There is still a surplus of \$1,716,873, which is not very far short of the estimated \$2,000,000. It is quite as large as any Finance Minister would be justified in making it. A fiscal policy which aims at producing a continuous surplus is abnormal, and there is no principle on which it can be justified, provided a Sinking Fund for the discharge of the

public debt be regularly kept up. There is a sense in which a continuous surplus introduces disorder into the finances of a country; the natural condition of things being to have at all times enough revenue to meet the expenditure and no more. An excess of revenue gives rise to the question "what is to be done with it?" and it is always in danger of being more or less wasted, for its very existence is a temptation to extravagance. A continuous deficit is still more culpable, for it saps the foundations of credit, and if continued long enough must lead to bankruptcy. A large annual surplus is liable to be obtained at a great sacrifice. To secure it customs' duties must be made higher than are necessary; and such duties, for the reasons already given, will often take from the pockets of the taxpayers nearly, or quite, twice as much as goes into the public treasury. This is the strongest of all reasons against the policy of aiming to produce a large continuous surplus. We are glad the surplus is no more than it is, and we trust never again to see a long succession of surpluses produced by means that are entirely artificial and for purposes for which there is no possible justification.

It is impossible to accurately measure the *per capita* weight of taxation, at two different periods, under widely different scales of tariff; because the amount which one tariff takes from the pockets of the people and which does not go into the treasury, varies greatly under different tariffs. The amount paid is always greater than that which reaches the treasury; being increased by interest on the duties advanced. This is the least of the increase ever made; and there are various items which make up the ascending scale, the greatest of which is often the increased price of domestic goods on which no direct duty is paid, but which are, as it were, surcharged by proxy, in the way already described. As a demonstration of financial strength and resource, the surplus policy may have had a good effect; but this is all that can be said for it, and as it has served the only useful purpose it is capable of, it ought now to be abandoned.

THE OUTLOOK FOR WHEAT CULTURE.

If the farmer is not greatly belied he has an inveterate habit of crying out before he is hurt. But there is very little doubt that the low price of wheat, if it were to continue, would hurt him seriously. There are American farmers who say that, at present prices, they are producing wheat at a loss, and the prediction is made that the middle belt of States will cease to grow wheat, because it will be impossible to grow it at a profit. Wheat, if its production is not profitable, will cease to be grown to the same extent as at present. Its production would be unprofitable, in some places while it would be profitable in others; and the decline of production may be expected to commence in those countries where it is raised under the greatest disadvantages. We should hardly expect that the United States would be the first country to say that wheat raising will not pay, for there must be other countries in which it is raised under greater disadvantages. From India the most con-