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### WHEREIN THE NEW TARIFF MAY DISAPPOINT.

We fear that in view of the new tariff, now in preparation, two classes of persons have been courting disappointment. In anticipation of higher duties imports have been increased; goods have been taken out of bond, sometimes by means of money borrowed at excessive rates of interest. It will be well, indeed, if these traders do not meet disappointment and loss. The experience of the last few years ought not to have been needed to prove that a glutted market must cause a sacrifice of goods; but it seems as if even that lesson was insufficient to prevent what may prove a recurrence of the evil. Imports have been freely made under the expectation that the difference between the old and the new duties will make a good profit; and perhaps it might, if there were a demand for the extra quantity of goods. But it may fairly be assumed that there is no such demand; that a surplus stock will again have been created, or rather that the surplus stocks already in the country have been unwisely augmented. Holders of these stocks must either await the slow course of demand, or they must sell at once without profit or at a sacrifice. In the former case, they may find themselves overweighted with obligations and the profits they anticipated eaten up with interest; in the latter, they will have made nothing by their enterprise; and in any event they may find they have acted unwisely. The strong houses will of course fare better than the weak; but perhaps those most favorably situated may find that caution would have been better than the risk they incurred.

The effect of the excessive importations will be to lower the price of the entire stock of goods in all the categories to which the excess extends. The temporary pressure for money, caused by the payment of an unusual amount of duties, will also tend to reduce prices; the disproportion between stocks and the available

means of purchasing them for consumption will co-operate with these causes, and for some time many goods will probably be sold, under the new duties, quite as low as they have recently been under the old. Importers may find speculative purchasers among retailers, tempted by an anticipated increase in the margin of profit; but if that increase be not realized, as it is not very likely to be, the average of losses which has prevailed since 1873 may be expected to fall on these goods. It is easy to deceive one's-self by the recollection of exceptional profits realized, by a few persons, when, on some previous occasion, there has been an increase in the excise duties. But when this was done, the change was unexpected; it had not been heralded for months as the new tariff has been. Only a few articles, chief among them whiskey, then formed the subject or speculation; and the quantities that could be purchased were mostly limited to what could be produced without any extra effort by the ordinary working capacity of the distilleries. But to imported goods there is no such limit; there is no limit at all but what is furnished by the discretion, the capital and credit of importers. The discretion is at least doubtful of those who have bought largely of American goods on sixty days terms. These sixty days will come round, for them, all too soon. If discretion is greatly relaxed, capital overloaded, and credit strained to an unusual tension, it is not possible to hope that all will be well. All these things have happened, and it is difficult to see any ground for being confident that the usual results of a glut will not plague the commercial world.

The other class of persons likely to be disappointed with the new tariff are certain manufacturers who are looking forward to its operation for relief and profit. The first effect of protection is generally to decrease importation, in favor of home-made productions. At that stage, if the duties be moderate, the competition is chiefly external. But, as domestic manufactures increase and gather strength, the pressure of competition among themselves begins to be felt. There are several manufactures in Canada in which the competition is so severe as so greatly to have lowered the rate of profit as to have reduced it nearly or quite to a minimum. Of these it will be sufficient to mention two: manufactures of paper and of furniture. If of the commoner kinds of paper all importation were to cease at once, the competition among domestic paper makers would suffice to keep down profits; and the same is true of manufactures of furniture. But if duties practically prohibitory were put on paper and furniture—and

a small increase might have that effect—new capital would be tempted into these manufactures, with the result that the productiveness of the whole capital already employed in them would be reduced, and profits which are small now might then disappear altogether. The new capital would fare no better, and might fare worse than the old.

Of course, it is quite possible that no such additional duty may be put on paper; but even in that case the illustration will serve to show what must happen if increased duties are put upon commodities, in the production of which there already exists severe competition among Canadian manufacturers. Foundrymen have probably nearly as much to fear from high duties as either paper makers or furniture manufacturers. The profit on stoves, it is reasonable to conclude, has not yet sunk to a minimum; but any considerable increase in the duties on castings of this kind would certainly lead to greatly increased domestic competition. American manufacturers are watching the movements going on here with the object of procuring an increase in the tariff; and whenever any such increase is considerable, some of them will move a part of their capital and skill to Canada. In castings, more than in most other things, superior excellence carries off the palm. If American foundrymen start their business in Canada, they will be prepared to compete with the best productions of this country; and any considerable increase of competition must bring down prices, which are probably high enough to permit of a considerable reduction before the minimum of profit which is sufficient to induce capital to remain in that particular employment is reached. It may safely be assumed that all manufactures in which the pressure of domestic competition has begun to be felt has more to fear than to hope from an increase of import duties.

In pointing out two classes to whom the new tariff may bring disappointment, we by no means desire to pre-judge that tariff as a whole. We have always held that there was no reason to conclude that the tariff could not be re-arranged with advantage to the country, and we see no reason to abandon that opinion. Whether the promised new tariff will fulfil this condition, it is of course premature to speculate.

### THE NEGOTIATION WITH FRANCE.

#### SECOND ARTICLE.

While Canada wants a market for her ships and France needs such cheap ships as we can sell her, the market for her com-