

dian manufacturers are making certain lines formerly imported, and to less borrowing.

In the above figures relating to Canada, which are taken from the summary of the trade of Canada published in the weekly bulletin of the department of trade and commerce, exports from Canada of foreign merchandise are included. Mr. J. W. Cringan, C.A., auditor with the William Davies Company, Limited, Toronto, in a letter to *The Monetary Times*, raises an interesting point in that connection. Instead of taking the department of trade and commerce figures as above, he quotes the following figures from the trade and navigation report for March, 1915:—

| | |
|-------------------------------|---------------|
| Imports, dutiable goods | \$279,717,254 |
| Imports, free goods | 175,654,117 |
| Total | \$455,371,371 |

or \$10,000,000 in excess of the other figures.

The exports, as shown in this same report, are:—

| | |
|----------------------------|---------------|
| Domestic merchandise | \$409,418,836 |
| Foreign merchandise | 52,023,673 |
| Total | \$461,442,509 |

"While I admit," he says, "that the railroads and dock laborers would get some profit out of exporting this foreign merchandise, yet it is not permissible to include this \$52,000,000 of foreign merchandise exported as Canadian trade. I think you will agree with me that the following figures show the true situation for the past two years:—

Exports and imports for the year ended March, 1914, and 1915, compared. Exports and imports of coin and bullion and exports of foreign merchandise excluded.

| | Twelve months ended March 1914. | 1915. |
|-------------------------------------|---------------------------------|---------------|
| Merchandise imported | \$618,328,874 | \$455,371,371 |
| Domestic merchandise exported | 431,588,439 | 409,418,836 |
| Imports exceeded exports | \$186,740,435 | \$ 45,952,535 |

This raises a series of inter-relative problems of no little interest. Discussing the matter with *The Monetary Times*, Professor Adam Shortt, Ottawa, one of our foremost economists, recalls that through no special fault of government customs departments, the very special and inadequate relationship of the custom house to the complete exports and imports, and consequently the true trade balance of a country, has given to the customs trade statistics a quite unwarranted dominance in the discussion of international exchange and trade balances, and consequently, of international profit and loss.

"It is a mere accident of physical nature," says Dr. Shortt, "that there should be any distinction between goods and personal services. The ordinary manufacturer buys physical raw material and human service, and also, as a rule, uses bank or credit capital. Adding his own services, these are combined on his farm or in his factory and sold to the world in the shape of various physical goods. These, in turn, may be either used directly to satisfy wants, or become the physical basis for further combinations with credit capital and labor to furnish still more expensive articles of trade. On the other hand, however, much physical wealth, credit capital and human service may be combined, not in the production of further material articles, but for consumption in furnishing ser-

vices only. Notable examples of the latter are the transportation and transmission systems on sea and land, including shipping, railway, telegraph and telephone services, also all the professional services of lawyers, doctors, preachers, teachers, etc., the whole elaborate mechanism furnishing amusement and entertainment, and the extensive hotel services, apart from the food and drink supplied.

"Obviously, from a sound economic point of view, it is a matter of complete indifference whether what I furnish, or buy and sell takes the form of physical goods, of personal service, or credit capital. Yet it makes a very great difference to the custom house returns, which take cognizance only of physical goods. Trade returns, therefore, based on customs statistics, however accurate in themselves, furnish very inadequate information as to the trade balance of a country or the advantage or loss in the various elements of foreign trade.

"They are inadequate even on the physical side, because scarcely any article of export, apart from a few purely native products, have not embodied in them foreign merchandise of some kind, which is being re-exported. Even our unground wheat and rough lumber, which at first sight might appear to be wholly domestic products, embody in their value and have ultimately to pay for imported agricultural and saw-mill machinery, which is just as truly consumed in their production as the cotton and coal of our cotton factories. It is simply a question as to how much Canadian value is added to the import before being sent out again. The matter can be traced with some definiteness where the manufacturers of agricultural machinery, for instance, are allowed to obtain a drawback on all physically traceable foreign products which enter into the production of the implements which are exported.

"Obviously, it is a question of degree and not of kind as to how much additional value the Canadian adds to his imports before he exports them again. It is a matter of no special importance in determining our true trade balance whether the additional value appears in the shape of a physical alteration of the goods or only of a service rendered. When a hundred dollars' worth of service is added to an American cargo of corn in the shape of transportation charges, it is just as valuable for Canada as a hundred dollars worth of service added to the corn when exported in the shape of starch or Canadian hams and bacon. The trade returns in the shape of customs statistics, however, take no cognizance of the proportion of Canadian and foreign elements in the total value of the export. A thousand dollars worth of export to which Canada has contributed only one hundred dollars appears in the same total with a thousand dollars worth of export to which Canada has contributed nine hundred dollars.

"Only, therefore, by going carefully over the whole list of imports and exports and by tracing up the ultimate destiny of our imports, together with the various elements which enter into our exports, can we get a true idea as to what the trade balance of Canada really means in the shape of goods and services. To that, of course, must be added a careful survey of the borrowings of Canada abroad and of the shape in which these borrowings enter the country. The task of collecting this information, while laborious enough if carried into the smaller industries and investments, could be accomplished for at least two-thirds of our trade with a fairly reasonable expenditure of time and money, and might very well be followed up by the department of trade and commerce. Until this is done, however, we shall have only comparatively crude statistical information as to what is the real trade balance for our country."