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**The Journal of Commerce**

FINANCE AND INSURANCE REVIEW.

MONTREAL, JULY 19, 1878.

**WHO PAYS THE DUTY?**

Leading statesmen and journalists seem to be much exercised at present as to the proper answer to the question with which we have headed this article. It is contended, on the one hand, that the duty imposed on goods entering a country must necessarily fall on the consumer of those goods, while, on the other hand, it is as vehemently affirmed that in many cases the duty really falls on the foreign exporter. With regard to certain articles of consumption in a country, viz., such as either cannot be produced at all, or at such cost as to render their production practically impossible, it seems to be admitted that the duty is paid by the consumer. Tea is a fair specimen of this class of articles, and as it is one of very general consumption in the present day, it seems as fair an article as any other on which to impose a revenue duty. As an illustration of the effect of protective duties, that on horses has been cited as

an instance in which the duty falls on the exporter. It is contended that, as the price of horses in the United States is much higher than in Canada, the duty in the United States falls on the Canadian exporter. This, however, is a fallacy. If there were no duties whatever on horses, either in Canada or the United States, the price would clearly be regulated by the ordinary rule of supply and demand, and would fluctuate accordingly. The fact that Canada raises horses more than sufficient to supply her own market, and that, notwithstanding the duty, she nevertheless exports them, proves that if there were no duty she would probably export more of them, but even on the supposition that the supply was the same, there can be little doubt that the effect of a removal of the duty would be a reduction of the price. Of course the price might be so reduced that it would be unprofitable to raise horses at all, but it is highly improbable that for an article in such general demand any such result would follow. The Canadian farmer is probably, on the whole, in a position to go into the market on more advantageous terms than his American competitor, because he pays less for articles of general consumption. We may, however, assume that they are on nearly an equal footing as to the raising of horses. On this assumption it must be clear that the effect of the duty in the United States is to protect the American farmer and enable him to get a better price for his horses than he would do if there were no duty at all. The probability is that if there were no duty in the United States the price of horses would be much less than at present, because, if Canadians are willing to sell at prices which enable the foreign importers to pay the American duty, they would be equally ready to do so if there were no duties. It is clear that, as a rule, no articles will be exported from one country to another for sale unless it is advantageous to the exporter to sell them. We do not refer, of course, to losses owing to a sudden fall in the market or to mistaken speculation, but to sales in the ordinary way. In the case of our Canadian farmers, if we are not mistaken they make their sales of horses to a great extent at home. American horse dealers come to Canada and buy up horses for export, and of course have to pay what the farmer considers a remunerative price. The theory on the subject is, that the effect of strictly protective duties is to raise the price of the protected article by the amount of the duty. It was contended by many, when the question of the repeal of the Corn Laws was under

consideration, that the foreigners paid the duty, but that doctrine has long been exploded, and there can be no doubt that the effect of the repeal has been to reduce considerably the price of breadstuffs, although there have been occasions in times of scarcity when prices have fluctuated very considerably. Those who advocate protective duties claim that the effect would be to encourage home industry by raising prices, a theory which is quite inconsistent with that to which we have called attention, and which nevertheless has been propounded by more than one of the Protectionist journals. It must not be imagined that we mean to deny that the abolition of the duty on horses in the United States would be of material benefit to Canadian farmers. The population of the United States being so much larger than that of Canada, it seems probable that the demand would be sufficient to prevent so large a reduction of price as the full amount of the duty. With perfect free trade the prices would fluctuate according to the supply and demand, but that it would be what it is, while the present duty is exacted, would be contrary to all experience.

**CANADIAN BANK OF COMMERCE.**

We are rather late in noticing the proceedings at the recent annual meeting of the Bank of Commerce. The report will be found elsewhere: That it is not altogether satisfactory is of course merely stating what in such times as these every one must have expected. We must, however, admit that with regard to the business of the year that has just terminated, there is no cause for dissatisfaction. The profits of the year, after deducting the bad debts pertaining to the operations of the year have enabled the bank to pay a dividend of 8 per cent. and to add rather more than \$15,000 to the balance at the credit of the profit and loss account. In examining the assets of the bank it has appeared to the directors absolutely necessary to make provision for the depreciation in the value of securities which were no doubt at one time considered ample, but which, owing to the depreciation in the value of all kinds of property, are no longer likely to realize what they represent. It is true that there are grounds for the expectation that the depression which is now so severely felt is but temporary, and that with a revival of commercial prosperity there will be a reaction as to the value of property. The directors have, however, felt that it is absolutely necessary to deal with promptitude and vigour with the actual state of things, and they have