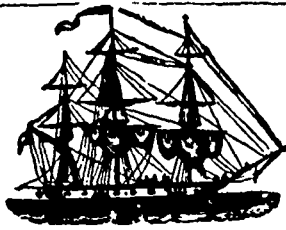


CANADIAN ECONOMIST.



FREE TRADE JOURNAL, AND WEEKLY COMMERCIAL NEWS.

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MONTREAL, SATURDAY, 30TH MAY, 1846.

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THE CANADIAN ECONOMIST.

MONTREAL, SATURDAY, 30TH MAY, 1846.

NON-RECIPROCAL TRADE NOT INJURIOUS TO OUR INTERESTS.

There is, it appears to us, no question of trade so puzzling and confusing to the Canadian intellect as how commerce can be carried on with a nation that does not reciprocate with us,—in other words, how we can buy from a nation that does not buy from us, without draining ourselves of our specie, and thereby, as it appears to the uninitiated, incurring the risk of involving ourselves in utter ruin. To a mind accustomed to the investigation of such questions, either in an abstract or a practical form, such ignorance of the simple laws of political economy as the above would indicate, will appear incomprehensible; but the fact of such ignorance existing is not thereby rendered the less true. In conversation, the question is every day asked, "If you have free trade with countries that will not reciprocate with you, how are you to pay for the articles you purchase from them?"—thereby implying that such imports must be paid for in cash, and hence that a country so situated must be inevitably ruined. Even the *Press* of Canada, with the exception of one or two brilliant examples,—the *Gazette* of Montreal, and the *Examiner* of Toronto, for instance,—cannot be exempted from the general charge which we now make. It was but the other day we observed one of our city journals calling attention to the fact that, even in spite of differential duties, Canada West was drawing her supplies of sugars, teas, fruits, and such like, from the United States; and on that ground, it exhorted our merchants to call for new differential regulations, as they would otherwise inevitably lose the whole supplying trade of the West,—adding, with a whine that showed how utterly ignorant the writer was of the simplest elements of commerce, "If this trade continues, how are these goods to be paid for?" Such erroneous views appearing in the columns of the metropolitan press of Canada, justifies, in our opinion, the conclusion, that the same misapprehension of this simple subject extends throughout the length and breadth of the Province. Certain it is, we know from personal experience, that many members of our Legislature entertain the opinion that without reciprocity in trade, in other words, buying from a nation that will not buy from us, inevitable ruin to ourselves must be the result.

For these reasons, we have thought it expedient to advert in this number of our journal to the subject, in order to show that this country has nothing to fear from the one-sided commerce so much dreaded, and that it is our interest, as well as that of our brethren in the West, to buy in the markets of the United States as long as we can do so cheaper than anywhere else, even though we sell nothing in those markets in return. Preliminarily, however, we may remark, that the reason why many persons, otherwise well informed, look upon non-reciprocal trade with the United States as dangerous to our general interests, and particularly to the safety of our monied institutions, is simply this,—that they cannot look upon money (coin or bullion) as a mere commodity. Their minds being imbued with the old-fashioned prejudice, that money alone is wealth, they consider its abstraction from the country as the greatest of all evils, and cannot be convinced that a thousand pounds worth of tea or sugar is quite as

valuable to its possessor, and consequently to his country, as the thousand pounds in gold which he gave in exchange for it. The few observations, however, which we shall now lay before our readers, will, we trust, entirely remove from their minds any fears which they may entertain as to the working of free trade here, even though the United States should persist in refusing to reciprocate in free trade with us.

In the first place, then, it may be laid down as an axiom, that our aggregate importations are, generally speaking, the equivalent of what we export. The annual trade sheet of a State or Colony merely shows the aggregate of the transactions of its merchants engaged in foreign business,—the sum of their exports and the sum of their imports; and hence, supposing all debts each way to be paid off within the year, the balance due on either side can be but a trifle, inasmuch as the average rate of profits is pretty much the same in all cases. These premises, we think, cannot be controverted by any one familiar with business, or conversant with the doctrines of political economy.

Let us next see what our exports and imports usually consist of, and how they are distributed.

The former comprise chiefly—1. Timber, Deals, and Staves; 2. Agricultural produce; 3. Bills on the Imperial Treasury drawn against military supplies or loans to the Province; 4. Private Bills drawn against resources in England by half-pay officers and such like settled in the country.

The two latter items (3 and 4) we include as exports, because the bills in question are not drawn against actual shipments from the country as bills of exchange usually are. Hence, they must be regarded as *actual values*, and not the mere *representatives* of articles of value exported, and being drawn to pay for articles, either of foreign or domestic production, required for use or consumption by the troops stationed in the Province, by settlers, and by the labourers and others engaged upon our public works, the reader will at once see that there is an obvious and necessary distinction between such bills and those drawn against exports, and will allow that in the annual trade sheet of the Province they are as much entitled to be looked upon as an export as is a cargo of timber or anything else; because if we had neither troops nor the other classes referred to in the country, such bills would not be drawn, and our importations of goods would consequently be diminished to the same extent.

In the distribution, our exports are nearly altogether sent to England, and for the sake of convenience we will estimate their value at £3,000,000 per annum. We thus create funds in England to that extent, which we make available to purchase every thing we require to import, no matter whether we make our purchases in England or the United States or many other part of the world. That is the fund we create to pay for such imports; and if we import more than that fund will pay for, we must run into debt and pay the penalty usual in such cases, that is, become bankrupts. But this misfortune, be it remarked, is not an evil to be attributed to free trade; but, on the contrary, to the extravagance of a community buying more than its natural productions will pay for. Some persons will say here, this is an instance where the country would be drained of gold. But we deny the soundness of such a conclusion, because gold cannot be obtained by the needy without giving an equivalent for it; the holders of gold will not part with it for nothing,—and articles of exchangeable value must be produced, and these will cancel foreign debts as well as gold.

It is true gold may be temporarily shipped to pay foreign debts, but it will be recovered again as soon as our natural productions find their way to the market, of consumption; and thus the balance of trade is again restored to its natural equilibrium. We get all the gold we need, and we pay our debts at the same time.

Thus, finding we are obliged to purchase many things in the markets of the United States, and knowing that they will take nothing from us but gold, or bills of exchange, which come to precisely the same thing, what course do we pursue? Why, we buy less from England than what she owes us for. For instance, she owes us £3,000,000 for our timber, wheat, &c.; we buy £2,500,000 worth of goods from her in return, and we take the other half million in gold to the United States to complete our purchases with; or in other words, we carry our bills of exchange on England there, which serve the same purpose as gold. The case is as simple and plain as that two and two make