

## ABROGATION OF RECIPROCITY.

THE abrogation of the Reciprocity Treaty being no longer an impossible contingency, two important questions naturally present themselves: How would it effect the interests of Canada; and how can our people best adapt themselves to the altered circumstances?

Nothing can be more certain than that reciprocal trade has largely benefitted both the United States and Canada. It is self-evident, therefore, that its abolition would inflict a certain amount of injury upon both countries. But the people of Canada have no reason to regard this result with such gloomy apprehensions as many indulge in. The change would no doubt disarrange trade at first, and serve afterwards, to some extent, to discourage commercial transactions with our neighbours. But we need not fear that our agricultural productions will remain without purchasers, or that we are so dependent on the United States, that an illiberal change in their commercial policy will seriously retard our prosperity.

If our present commercial relations with the United States are to cease, the change could hardly take place at a more favourable time for Canada than the present. Not to speak of the progress made by this Province since 1864, the late rebellion has largely altered the position of the two countries. We are, comparatively speaking, lightly taxed; they are more heavily taxed. The burden of taxation presses on the American farmer as upon all other classes. They cannot raise their crops so cheaply as before the war, and consequently the prices of produce must rule high in their markets. Under these circumstances, it is not unreasonable to suppose that our millers and farmers may obtain nearly, if not quite, as high a figure for their flour and grain without Reciprocity as they would have done with the Treaty, but without any increase of American taxation. Doubtless it would be better if our flour, grain, lumber, live stock, &c., continued to pass across the lines without "let or hindrance." But even should we be required to pay 20 per cent. duty, we will still occupy quite as favourable a position as our neighbours themselves.

Under the most adverse circumstances, the loss of Reciprocity to Canada would not likely be more than \$3,000,000 per annum—that is 20 per cent. on \$15,000,000, the average annual amount of our free exports. But would we continue to sell as largely to the United States as before? We think not. At present, a large proportion of American purchases of Canadian wheat and flour are for export to Europe. A saving of 20 per cent. would now throw the whole of this trade into the hands of Canadian dealers, and thus our sharp-sighted neighbours would lose both the trade and the duty. It is easy to foresee that in this way our loss would be largely reduced below \$3,000,000; and if our forwarders sent their cargoes by the St. Lawrence route, and thus built up our shipping interests, we would have a collateral advantage of no small importance.

In the foregoing paragraph we have taken it for granted that the entire three millions—or 20 per cent. duty—would be paid by the Canadian exporter. But would such really be the case? Most certainly not. All political economists hold that, as a general rule, the duties levied by a nation are paid by the consumer, and not by the producer. We may safely assert that, on whatever articles the United States require to purchase from Canada—i.e., cannot supply themselves with—the duties must ultimately come out of their own pockets. For instance, the United States must have our lumber. They bought it before Reciprocity, and must continue to do so if that measure is repealed. *Whatever is put on as duty, will just be added to the price.* In 1863 our exports of lumber amounted to \$4,165,290—nearly 25 per cent. of our whole exports. The same may be said of our long wool, the sales of which have run up to \$974,153 in a single year, and to some extent to our superior white wheat, to barley, and other articles. From these considerations, it is quite reasonable to conclude that, if the Americans place a duty of 20 per cent. on our raw products, at least one-half of it will fall upon themselves. This fact, of itself, would reduce Canada's loss to \$1,500,000 per annum.

We do not despair that a new Reciprocity Treaty may eventually be enacted; but we think it our duty as a commercial journal to press upon our people to consider the best course to adopt, should negotiations fail. "Forewarned is to be forearmed." We do not doubt that, even without Reciprocity, Canadian products will command a fair price in American markets. But our millers and produce dealers should render

themselves independent of New York and Boston, by making arrangements to ship direct to Europe whenever necessary. And why should not a large trade in breadstuffs be done with the Maritime Provinces? In 1863 they bought of the United States 3,615,232 bushels of grain, whilst we sold the latter 3,850,000. Why should Canada not supply these Provinces direct? If Reciprocity is abolished, Montreal should become the great depot for Western produce, and the St. Lawrence our principal route of transportation.

What course our agriculturists should pursue as regards crops, it is somewhat difficult to advise at present. One principle, however, may be affirmed, and that is, *not to depend too much on articles for which the United States is our only market.* Our white wheat will generally command a good price; but the coarse grains may not be so fortunate. In that event, it would be well for our farmers to give more of their attention to the growth of flax, to fruit growing, to pork raising, and to dairy farming. We have now a good demand in Canada for flax, and we annually purchase large quantities of fruit from our neighbours. Pork, cheese, and butter, are always in demand for export to Europe. In 1863, we purchased no less than \$1,238,923 worth of meats from the United States, and in the list of imports we notice \$975,614 for Indian corn. Should the abrogation of the Reciprocity Treaty depreciate the price of our coarse grains, our farmers may find a substitute in supplying these and other wants of Canada, and in raising more of those articles always in request for the European markets.

After carefully considering the subject, we do not think the loss of the Treaty—beneficial though it has been—would produce that "ruin and decay" which some have been led to fear. It would at first considerably disturb business, and cause our agriculturists to vary somewhat the articles they produce, but the day has gone by when it could seriously embarrass either country.

## AN EXPLODED IDEA.

FOR some time past a controversy has been carried on between the New York *Tribune* and some other journals of that city, respecting the relative merits of Free Trade and Protection. That journal sides strongly with the protectionists, and advocates their most ultra theories even to prohibition. Inasmuch as the arguments which he employs are those used very constantly in this country, we propose to investigate their truth. The *Tribune*, in its first article on the subject, speaking of the farmers of the western prairies, says:—"Their grain, of course, brings 'them its price in London or Liverpool minus the 'cost of transporting it thither, so that Indian corn 'nets the grower ten to thirty cents per bushel, according to the locality and the season.'" And as a means of increasing that price, it is proposed to "let us have a tariff that will make it the interest of the producers of our metals, wares, and fabrics to transfer their works to this country, and settle amongst us, even though it should for a time be necessary to make our imports 100 per cent."

And the result is supposed to be that "the price is higher than under free trade, but the cost is far less, because the price of all the buyers have to sell is enhanced far more than that of their fabrics. Instead of selling corn for ten to 30 cents per bushel, it would command 50 to 75 cents."

We would ask the *Tribune* why it does not propose to take some of these men who are producing corn at 10 to 30 cents per bushel (if that is a more unprofitable business than working in factories would be under his improved dispensation, as we must assume from the tone of that article it would be), and set them to manufacture? If only that price can be realised for grain, and that a non-paying price, it would certainly be more logical to propose a withdrawal of a part of that population from the raising of grain, and applying their labour to more lucrative pursuits, instead of advocating the importation of others to do that which many of the settlers could do and have done in other parts of the world. But we believe the facts to be the reverse of what we are thus led to assume, and that the raising of corn at from 10 to 30 cents per bushel is a more profitable business in the West than the manufacture of "our metals, wares, and fabrics" would be. The fact that protection is required proves that such is the case; and the fact that the *Tribune* proposes to import the manufacturers instead of taking what must otherwise be surplus labour in the West, proves that the writer had an inward consciousness of it.

If it was the case that grain was always a drug in the Western markets at a price which did not sufficiently remunerate the grower, labour would soon also be a drug; and that would be the best stimulus to manufacture. No person would continue to raise that out of which they could not make a living equal to that which they could get from working for wages. But such is not the case; a high rate of wages has always been obtained at the West, which proves that the raising of grain at such prices is at least equal thereto, or it would soon cause a drain of labour from the one to the other. In fact, in places where land can be had for an almost nominal price, the rate of wages and profits of farming will always amount to about the same average, because the one regulates the other. And neither protection nor free trade can ever disturb that balance, and it will be only as land becomes of poorer quality or harder to acquire, that wages will decrease in the West sufficiently to make manufacturing a profitable business.

Again: when the *Tribune* asserts that New England has no advantage from protection, which is not offered to every section, and in fact derives less, he says that which proves the fallacy of protection; because if New England derives less advantage from protection than the remainder of the country, and yet has become to a great extent a manufacturing country, we must look to other causes than protection as a stimulus to manufactures. The true cause is what we have already mentioned, that labour being more abundant than can be profitably employed on farming in the New England States, is obliged to seek employment elsewhere or in manufacturing at home, and land being more abundant and cheaper in the Western States than in New England, is continually drawing labour from the latter to cultivate the former.

The result which the *Tribune* expects from protection is the same which protectionists all the world over have continually made their cry—increased value of the raw produce of the country. Nothing could be more illusory. In this case it is supposed to occasion a rise of from 250 to 500 per cent. The process by which this is to be accomplished is not particularly set forth by the writer. But it is easy to show how it is impossible any such result can take place. The price of grain is regulated in the West by what can be realised for it in New York, this city, or the New England States; which again in years of plenty is regulated by the price which can be obtained in Britain. While there is a surplus in the exporting cities of this continent which must be shipped, the price of the whole is controlled by what that surplus will realise in Britain, or any other good market to which it can be sent; and the same rate applies to the West. Unless they establish sufficient manufactories to consume the whole of their grain (which would certainly be an impossibility), the price of the whole will be just that which can be realised from the surplus, which would have to be exported to the same markets to which it is now sent.

But the whole argument is summed up in a few words. "And why? Because protection is but another name for an enormous saving of labour." We admit it. But on the same principle that destruction may accomplish the same end, a farmer might say: It would be a great saving of labour to turn his standing crops instead of reaping and thrashing them. And it no doubt would be. But it would be a terrible waste of capital, and so it is with protection. It is a saving of labour to give a man four dollars to do that in the West, which would require the same or longer time to manufacture in Germany, besides labour employed in freighting it, though all of which might be done for one dollar. But it would be a sad waste of capital. We fully understand the argument that capital is the result of labour, and that therefore a waste of labour is a waste of capital. But equal quantities of labour in different places do not represent the same amount of capital. And that is no doubt what has led so many astray on this subject. But is it not much better that the farmer in the West, who can make a living out of his farm equal to wages of say three dollars per day, should buy his goods manufactured in Germany, where the wages and freight would not average more than one third of that amount, than that they should bring the German manufacturer to the West, where they would have to pay him a rate of wages equal to what he could make by the cultivation of the land?

Mr. Thomas Swinyard, Managing Director of the Great Western Railway, has gone to England, intending to be absent five or six weeks.