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THE BALANCE OF TRADE.

MR. JAMES M. SWANK, general manager of the American Iron and Steel Association, has published in The Bulletin an extended tabular statement showing the imports and exports of the United States in each fiscal year from 1861 to 1892, and during the first eleven months of 1893, compiled at his request by the Bureau of Statistics of the United States Government; and while Mr. Swank has no theory to present in connection with the table which he gives, he thinks it timely to call attention to some of the facts which it clearly establishes.

The first truth that suggests itself to him from a study of the table is that a protective tariff in and of itself does not guarantee his country against an adverse balance of trade. The balance of trade, both in merchandise and gold and silver has been for and against the country under precisely the same schedules, the changes from one condition to another often being both very sudden and of very wide range. Other in-

fluences in addition to tariff legislation affect commercial exchanges with foreign countries, prominent among which may be mentioned good and bad harvests, not only in the United States but throughout the world, the abundance or the scarcity of European money for investment in American railroad and other securities, and financial legislation both at home and abroad. If, for instance, Europe does not need surplus American agricultural products in a year when the United States has bought liberally from them, the balance of trade will be adverse to the United States, which must be met with financial securities or money, or both. If upon the other hand European harvests have been short, and American harvests abundant, Europe will buy more American agricultural and other products than can be paid for in merchandise, and the balance of trade will be in favor of the United States, and either the money of Europe, or American securities will flow from the east to the west.

Another fact which is forcibly presented in the table is the rapid growth in the United States, under protective duties of both the import and export trade within the period covered by the table, the American imports of merchandise have tripled in value and the exports have nearly quintupled. That foreign trade has therefore not only increased rapidly under protection, but the exports have increased much more rapidly than the imports, showing that protection has not hindered the sale in foreign markets of American agricultural or other products. And this clearly disproves the free trade theory that if there is no buying there can be no selling.

Mr. Swank points out that the cause of what is known as the Jay Cooke panic in 1873, which was the beginning of a period of hard times, lasting until the later part of 1879, has generally been ascribed to the influence of the inflated currency which was created by the civil war; but it will be seen from the table that for several years before the panic mentioned, the United States had been a large buyer of foreign merchandise and a small seller of agricultural and other products, the balance of trade against the country creating a serious drain to Europe of gold and securities. In immediately succeeding years the lack of prosperity and low prices for home products, aided by protective duties, caused the United States to buy less abroad; while the poor harvests of Europe enabled the country to sell more and more of its agricultural products, until in 1879 the exports of specie had so declined, and the general balance of trade had so greatly turned in its favor, that the United States had no difficulty in resuming and maintaining specie payments, with which came a revival of prosperity. Heavy imports and light exports, culminating in 1873, which turned the balance of trade heavily against the country, were the leading causes of the hard times from 1873 to 1879; while light imports and heavy exports brought good times.

Continuing, Mr. Swank says:—

Other influences affecting the balance of trade might be mentioned, but enough has been said to show that Protective duties have promoted our foreign trade, and that they have held in check importations which would have been ruinous. For example, the gold that we have sent to Europe this year would have been doubled in quantity and the country would now be facing general financial bankruptcy if the present tariff were not a strong barrier against excessive importations of foreign goods. As it is, we are importing far too many products of foreign workshops.