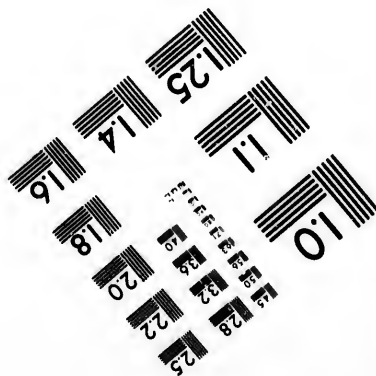
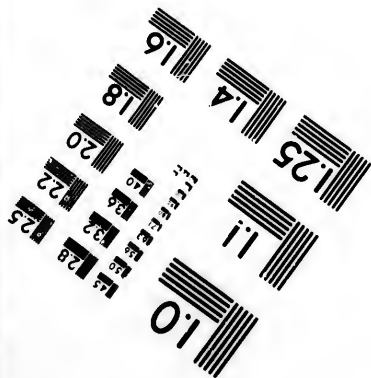
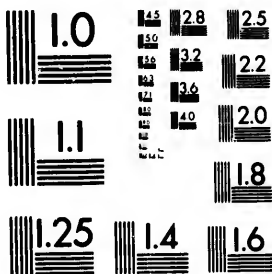


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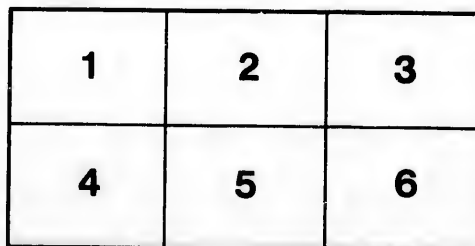
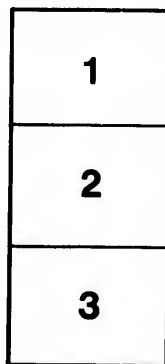
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THE WRITER OF THIS LETTER IS

## THE HON. SIR RICHARD CARTWRIGHT,

*A Member of the Dominion Parliament of Canada; and who was Minister of Finance  
in the Mackenzie Administration from 1873 to 1878.*

### THE ECONOMIC CONDITION OF CANADA AND HER TRADE POLICY.

TO THE EDITOR OF THE ECONOMIST.

SIR,

I have observed that there has been a steady attempt for some considerable length of time, in the communications published in the English press as coming from Canada, to misrepresent the actual economic condition of that country and also the objects of the Liberal party in Canada in pressing for free trade with the United States.

As regards the first point, it is well known to you and to your readers that Canada has been engaged for the last thirteen years in the operation of trying to increase the collective wealth of the country by doubling or trebling its taxation.

But it is not quite equally well known on your side of the Atlantic that it has become painfully apparent for some time back, to everyone who has been at the pains to examine the evidence which has accumulated on the subject, that, even in that comparatively short space of time, this most ill-advised policy has resulted in a tremendous exodus of the very choicest portion of the population of Canada, and in a very grave depreciation in the selling values of farm lands and of town and village property throughout all the older sections of the Dominion, including Quebec, Ontario, Nova Scotia, New Brunswick, and Prince Edward.

This has been accompanied, as is usual in such cases, by an immense increase in the aggregate indebtedness of the Dominion in the shape of large additions to its federal, provincial, and municipal debts, and also to the mortgage debts incurred by private individuals and liabilities incurred for the construction of railroads—by far the greater part of all which obligations are held abroad.

Briefly, in these thirteen years there has been a great displacement of wealth, caused mainly by artificial legislation, but (as regards the older provinces) absolutely no increase at all of the collective wealth of the community. Two or three cities, and perhaps a score of towns, have increased considerably, and a few hundred individuals (who have been privileged to tax their fellows for their private advantage) have grown rich by this system of legalised robbery; but the great mass of the population, and notably the agricultural class, are distinctly poorer and less prosperous than they were twelve years ago.

Take the returns of the recent census. New Brunswick with an area of 30,000 square miles, inhabited by about 60,000 families, has added just sixty-one souls to her population from 1881 to 1891.

Nova Scotia, with a population of 440,000 souls in 1881, has done a little better, having gained some 9,900 people in ten years—or rather less than one year's natural increase.

Ontario and Quebec, with unlimited quantities of unoccupied land, show an increase of perhaps 1 per cent. per annum, being rather less than that of England, and that in despite of an alleged immigration of nearly 900,000 people.

In one word, if the assertions and official statements of the present Government are to be relied on, and these 900,000 immigrants did really come to Canada, as they assert, what between immigrants who came to Canada and who have quitted it, chiefly for the United States, and the loss of its own natural increase which has disappeared in the same direction, the Dominion has lost not less than one million and a-half of people in the last ten years.

As to the amount of taxation, the agricultural class has been simply bled white.

1892

Over and above the taxes actually paid into the Dominion Treasury to be expended for so-called Federal purposes, they have been mulcted during all these years under the protective system of at least an equal amount, which is either totally wasted or goes into the pockets of a very small number of protected manufacturers.

The exact amount levied, or, to speak more accurately, pillaged, in this way can hardly be estimated; but it is known not to be less than a sum fully equal to the entire amount credited to the Treasury, and probably much exceeds it. In fact, the Canadian tariff (which has been, in the most literal manner, dictated by the protected manufacturers) is so constructed that there are innumerable cases in which for each single dollar paid into the Treasury, three, four, five and even ten dollars are taken out of the pocket of the consumer; nay, in many instances the tax is made absolutely prohibitive, so that the public are heavily taxed without any benefit to the revenue; *e.g.*, the duty on sugar is now so arranged (for the advantage of half-a-dozen sugar refiners), that the Canadian consumer is obliged to pay a tax of nearly two millions a year, of which only the most insignificant fraction finds its way into the public Treasury.

Taken altogether, it is well within the mark to say that while the present nominal amount of the taxation of the Dominion is about thirty-one millions of dollars, the genuine actual taxation, *i.e.*, the sum taken out of the pockets of the people for the benefit of the protected manufacturers, in addition to that paid into the Treasury is certainly not less, and is probably a good deal more than sixty millions (\$60,000,000).

As a very considerable section of the population of Canada—to wit, the French *habitans* of Quebec—consume a very small quantity of dutiable goods, this virtually means a taxation of £12,000,000 or £13,000,000 levied from an effective tax-paying population of less than four millions, many of whom are burthened with a very considerable direct taxation for municipal purposes besides.

Such an amount of taxation levied for thirteen years is a very formidable burthen for a country like Canada to bear, and is undoubtedly one prime cause of the great loss of population, and of the immense depreciation in the values of town and farm property (a few special localities excepted), which has been such a marked feature in the economic condition of Canada during the last ten years.

It would be well if this were all, but unfortunately, the economic results of the protective system adopted by Canada in 1879, grievous as they are, fade almost into insignificance compared with the moral and political pollution it has brought in its train.

In this, as in many other cases, the indirect or secondary consequences of the fiscal system misnamed protection are even more pernicious than its direct ones.

In the first place, by deluding the people into the idea that they can enrich themselves by increasing their taxation, the old, wholesome, natural repugnances to increased taxation and expenditure is entirely done away with, and the Government are encouraged to enter on a career of extravagant expenditure which invariably involves *per se*, a great amount of corruption in one form or other—as has been very notably the case in Canada.

In the second place, by making it the direct personal interest of a considerable number of active business men, many of whom are wealthy, and all of whom have the control of large sums of money, to support a Government, which gives them a free hand to tax the rest of the community for their special benefit, you lay broad and deep the foundations of a colossal system of organised corruption, in the face of which honest government becomes an impossibility.

In such a case, bribery becomes a pure matter of business routine.

The Government gives the protected manufacturers the power to tax the people for their own purposes, and the protected manufacturers in turn, whenever called upon, assess themselves in whatever amounts the Government require in order to enable it to carry the elections.

The thing is done openly and shamelessly by both parties to the transaction. Prior to the general elections of 1882, of 1887 and of 1891, Sir John Macdonald and his colleagues deliberately called the protected manufacturers together, and demanded and obtained from them such sums as they deemed necessary for the purpose of debauching the electorate, pledging themselves in return, not to alter the tariff to the detriment of the said contributors, which compact was faithfully carried out and impudently avowed.

The facts are far too notorious to be denied; and it is to this deliberate conspiracy on the part of the Government of Canada with the interested manufacturers that the intolerable corruption which disgraces Canadian public life is mainly due.

When the Government of any country deliberately abdicates its highest functions in favour of a few selfish rings, and permits its Minister of Finance to become, in the most literal sense, the mere mouthpiece of the manufacturers' association, in return for the right to toll the proceeds of the robbery for political purposes, it is idle to expect anything from a Government or a Legislature elected by such means and under such auspices, except precisely the results with which every newspaper in England and the United States were ringing during a great part of the past year.

It is not merely the policy, but the fixed determination of the Liberal party in the Dominion of Canada to overthrow this system at all hazards; and, after very full deliberation, they have come to the conclusion that the best and probably the only really available method which presents itself for that purpose, lies in introducing a system of perfect continental free trade, or unrestricted reciprocity, with the United States.

Theoretically, no doubt, free trade with all nations would be preferable; but practically, and as a matter of fact, free trade with the United States is vastly more valuable to Canada than free trade with all the rest of the world would be with the United States left out. Moreover, there is a fair prospect of obtaining the one, and none at all, humanly speaking, of obtaining the other—at least, within any reasonable space of time.

Canada, no doubt, had very great opportunities in the past, which Canada very foolishly threw away, of securing for herself a fiscal system very nearly as purely free trade as that of Great Britain, and also a very low rate of taxation; but these have passed and cannot now be recovered.

In these circumstances the twofold problem which to-day confronts Canadian statesmen worthy of the name, is how to restore a fair measure of material prosperity to the great mass of their countrymen, and check the tremendous exodus now going on of the very choicest part of their people to the United States; and, what is even more urgent, how to put a stop to the colossal system of organised corruption which is making Canada a veritable byword among English-speaking nations for venality and mal-administration.

Free trade or absolute reciprocity with the United States, will undoubtedly do more than anything else which can be devised (with any prospect of success) to restore material prosperity, and to enable us to keep our own people in our own country—in fact, as I have said above, in our present condition it is the one practicable measure which will do so; while as to the second object, it is equally plain, that absolute freedom of interchange with the United States, means a death-blow to every corrupt ring in Canada; and at the same time, by reason of the fact that, while it will immensely increase the general wealth of the people, it will, temporarily at any rate, diminish the revenue collected under the present system, it will enforce an amount of economy on the Administration, which will compel them to be honest, even if not so inclined, and will make it out of the question to comply with the outrageous demands for fresh bribes in the shape of unprofitable and utterly uncalled for public works and additional provincial subsidies, which are of continual recurrence as matters now stand.

One thing, I think ought to be clear to all intelligent Englishmen, and that is, that it is utterly impossible that Canada can prosper under her present conditions—isolated, and in danger of being still more completely isolated, from trade and commerce with the entire continent to which she belongs geographically, losing her population at the rate of one million and a half in ten years (if the official statements of the present Government are to be relied on), and subject at the same time, to a system of taxation and of organised political corruption such as you have happily been strangers to since the days of Walpole or Charles II.

The Liberal party of Canada, and indeed, the great bulk of the people of the Dominion, wish well to the mother country, and it is very far from their desire to do anything which in the long run can injure her interests; but their duty in the premises is plain.

As Canadians, they must consult the advantage of Canada first, and if it be—as it appears to them it is, beyond all possible controversy—for the best moral and material interests of Canada, to form a commercial treaty, which will ensure perfect free trade with the United States, you on your side must be



content to allow them to try the experiment. It is, and always has been, my own very strong desire that this measure should be so conducted, that it might ultimately result in removing all possible causes of conflict between the two great divisions of the British race, and end in bringing them together in a firm and durable alliance: and (given only a very moderate amount of prudent statemanship on the part of the English Government) I see every reason to hope that that end may be accomplished; but whether or no, I see still more clearly that some very radical change in the position of affairs in Canada must be brought about, and that very speedily, or else that the Canadian Confederation must perish, rotten before it has had time to become even half ripe, as the result of the vice and folly with which its affairs have been administered.

I have not deemed it worth my while to dwell at length on the dishonest and dishonourable pretence advanced by the late Sir John A. Macdonald and his fellows, to the effect that their policy of corruption and extortion was prompted by their fervent desire to preserve the connection between Canada and the mother country.

In Canada such allegations are treated with the contempt they merit; and in England the fact that those who make them are the identical persons who in 1879 deliberately turned their backs upon the fiscal system of Great Britain, and deliberately adopted the system in vogue in the United States—with full knowledge of the results which would inevitably follow—ought to be answer enough to anyone who pretends to believe that loyalty to England is at the bottom of a system of protection in Canada or elsewhere,

But in truth the question between the two Canadian parties is in reality an economic one, and in the long run resolves itself into this—shall Canada be governed for the benefit of the people of Canada, or for the profit of a few hundred protected manufacturers, backed by a subsidised press and a purchased majority in the Legislature?

To talk of loyalty in such a connection is little short of political blasphemy, and I can only express my surprise that such a shallow subterfuge should have obtained even a momentary credence in the mind of any Englishman of even average intelligence.

I have the honour to remain,

Your obedient servant,

RICHARD J. CARTWRIGHT.

KINGSTON, *January, 25th 1892.*

