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THE FINANCES OF CANADA.

BUDGET SPEECH

DELIVERED IN

THE HOUSE OF COMMONS OF CANADA,

On Friday, February 25, 1876,

BY THE

HON. RICHARD J. CARTWRIGHT,

Minister of Finance.

Hon. Mr. CARTWRIGHT, in moving the House into Committee of Supply, said:

Mr. SPEAKER,—In rising to move the resolution I am about to place in your hands, I may say, at the outset, that it would be both idle and dishonest on my part to attempt to conceal from the House that the circumstances under which we meet are such as deserve our very gravest consideration. It is, unfortunately, too true that we are now passing, and have been passing for a period of several months, through a commercial crisis of great and almost unparalleled severity; and although I think that the statement made by His Excellency, in his opening address to Parliament, that the distress in question was rather local and special than general, and that the great bulk of our people still continue to enjoy a condition of reasonable prosperity—although I say, I think that statement is true, and admits of reasonable demonstration,

still I am not at all disposed to deny that there are cases of great hardship existing in this country. At the same time, I believe I am justified in saying that although the particular crisis, and the particular form which it has assumed, were not, and could not, in the very nature of things, be calculated upon in advance; still, as the House is aware I have always contended, that a very considerable diminution in the imports and in the revenue derived therefrom, might, not unreasonably have been expected. This, in fact, was foreseen, and to a considerable extent discounted beforehand. And I think I shall be able to show the House that there are certain important mitigating circumstances, which go far to relieve the apprehension which many persons have naturally expressed at the state of things which at present exists. Without at all desiring to under-estimate the gravity of the commercial crisis to which I have referred, I believe, sir, that this country has experienced other and much graver crises in its financial history than the one through which we are now passing, and that it has emerged from them comparatively unhurt and without serious injury to its reproductive powers. It may appear paradoxical to say so; but in my judgment, the position of this country to-day is really far less dangerous than it was two or three years ago. And I make this assertion the more pointedly because I see that certain parties, both in this House and out of it, are in danger of falling into an error which I desire to correct so far as in me lies. A few years ago, as everybody in this House knows, many persons were betrayed into an undue confidence from supposing that the remarkable expansion which had then taken place indicated an absolute substantial progress. Now, I never desired or intended to deny that there was underlying that expansion a really great and genuine growth of the country. But I took occasion more than once to declare that it was not wise to base our policy on the hypothesis of the permanence of the expansion to which I have referred. At present, the case is exactly opposite. In place of undue confidence, we have undue alarm and undue apprehension; and as might have been expected, we find that many of those very persons from being over confident, have passed to a state of what I may almost call cowardly alarm. On former occasions I deprecated that over confidence—(not without sufficient reason—as I think the House will

admit) and now I equally deprecate the undue apprehensions which I perceive to exist, as I hope and believe without sufficient grounds. I think this country will be able to weather without permanent injury the commercial squall (the commercial tornado if you will), by which it is at present assailed; and although I do not intend to enlarge on this point at present, I hope before the debate closes I shall be able to show some reasonable ground for entertaining that opinion.

Now, Mr. Speaker, my first duty on the present occasion is to review, as briefly as I conveniently can, the position of the country in the year which has just closed; and that is of the more importance, because the results of the year's operations require to be carefully considered, in view of their bearing not only on the present year but also with reference to certain matters which occurred in the past. If the House will look at the public accounts which have been laid upon the table, they will perceive that the total ordinary revenue for the year which closed on the 30th of June, 1875, amounted from all sources to \$24,648,715, and the ordinary expenditure during the same period to \$23,713,071, leaving a balance of \$935,644. They will also perceive from the trade and navigation returns that whereas the total importation in the year ending 30th June, 1874, amounted to \$127,404,169, the total importation during the year which has just closed only amounted to \$119,618,657, showing a decrease in the importations of last year of \$7,785,512. The exports during 1873-4 amounted to \$89,351,928, while for the year which has just closed they amounted to \$77,886,979, showing a decrease of \$11,464,949. It may be well to point out that of that decrease of nearly eleven and a half millions, about one million was due to a diminution in the amount of bullion exported, and about three and a half to a diminution in the exportation of goods not the produce of Canada. The total diminution of imports and exports amounted therefore to no less than \$19,250,460, being a total decrease in the volume of the trade of that year of very nearly twenty millions of dollars as compared with 1873-4. Now, sir, it may be well, perhaps, to call the attention of the House to the fact that in the receipts and expenditures for the past year will be found a certain number of cross entries which swell the totals a little more than would otherwise be the case. This will be chiefly observed in the interest columns, and the

cause of it was this:—As hon. gentlemen know, we were compelled to pay off a very considerable portion of the public debt maturing in London on the 1st of July, 1875, and to do so, we were obliged to keep a considerable amount of money lying there at interest. The receipts and disbursements on this account may therefore be considered as accidental, and practically balance each other. Moreover, in the process of paying off the Seigniorial Indemnity, up to the 1st of January, 1875, a large additional charge was inflicted on the present year, as I find, for some reason or other, contrary to the usual practice, that the interest which matured on this fund up to the first of July, instead of being charged, as customary in most cases, to the past year, has habitually been charged to the current year. I may further observe that as explained at some length in the Budget Speech of 1875, a considerable proportion of the receipts for 1873-74 properly belonged to the years 1874-75. Turning to the statement of receipts, the House will see that they exceed the estimates made in 1874, with the single exception of receipts on account of Excise, the diminution in which respect has been fully accounted for by the anticipation of duties which took place under the tariff of that year. I understand that some slight changes have been made in the mode of keeping the railroad accounts, which will explain in a great measure the trifling difference between the estimates I submitted and the actual receipts in this case. It may be as well, at the same time, to observe that the receipts for Customs, although in excess of the estimates, do not fully represent the sum properly due for the year 1874-5, but this is also caused by the operation of the tariff of 1874. I will further call the attention of the House to the circumstance that in the accounts of this year all the charges for effecting the loan of 1874 are placed under a separate heading quite apart from items of ordinary income or expenditure. The reason for separating such items from the ordinary consolidated fund are too obvious not to be satisfactory to most hon. gentlemen sitting in this House. There is another item to which attention should be directed—the item of \$121,700, put down as a charge for the boundary survey between our territory and the United States. I mentioned in the Budget Speech of 1875 that this particular sum of money had been actually expended in 1873-4, and, also, that owing to a delay in the transmission of the vouchers on the part of the Imperial authorities, we were not

able to include it in the ordinary disbursements of that year. This, then, although charged to 1874-5, really and properly belonged to 1873-4. The last and most important item to which I desire to call the attention of the House is the item on account of the change of gauge. With respect to this I am perfectly well aware that in many cases the whole cost has been charged to capital account, and I am also aware that a good deal is to be said for that practice, inasmuch as the change of gauge is a permanent improvement which will never require to be repeated, and many railway companies, when it is necessary to make the change, do habitually charge it to capital account, taking, however, in that case, the precaution to charge a certain portion of the amount to annual income for several years to come. There are obvious reasons why such a course is not expedient in our case, and therefore, after conference with my hon. friend beside me, we decided that although it was a permanent and useful improvement, adding largely to the efficiency of the road, still as it was the fact that a certain portion of the rolling stock was actually destroyed by the operation, our best course would be to charge two-thirds to capital account and one-third to income, but not to make a further charge hereafter. With respect to the operation going on of substituting steel for iron rails, that is, I think, an item properly chargeable to income, and is intended to remain so charged. I am somewhat particular in making this statement because, as the House knows, we feel it incumbent upon us, as we are compelled to keep both a capital and ordinary account, to be very scrupulous as to what we allow to go to capital account. Now, looking at general results, I think I am justified in saying that the total result for 1874-5 is, on the whole, eminently satisfactory. Notwithstanding the very heavy exceptional charges above mentioned we are able to show a good balance, amounting to nearly \$1,000,000, and that too, in spite of the fact that a very considerable proportion of the revenue which properly belonged to that year was anticipated in the preceding year. This is of the more importance, Mr. Speaker, because there was a very perceptible diminution in the total volume of the imports and exports during that year. It may not be without interest to make a comparison between the total expenditures for 1873-4 and 1874-5. In 1873-4 we expended a sum of \$23,316,000 in round numbers. Of that,

amount payments for interest and subsidy, over which, as the House knows, we have no control, consumed no less than \$10,255,796, leaving the expenditure in the year ending 30th of June, 1874, at \$13,060,520. In the year 1874-5 our total expenditure amounted to \$23,713,071; interest and subsidy, \$11,124,724, while the controllable expenditure was \$12,588,347, leaving a balance in favour of 1874-5, as contrasted with 1873-4, on items which are within the control of Government, of \$472,173. And if we should reverse that entry of \$121,700 paid on account of the boundary survey, to which I alluded, and place it in the year in which that expenditure occurred, we would have a total balance of not less than \$715,000 of controllable expenditure in favour of 1874-5.

And now, sir, I come to what is probably a more interesting portion of the present statement—viz., to our position for the current year, 1875-6. The House will no doubt perceive from the statement which I had the honour to lay upon the table yesterday, that there has been a very serious diminution in our total receipts for the first seven months of this year. I find that up to the 10th of February, 1876, our total revenue, from all sources properly belonging to the consolidated fund, amounts to \$12,870,875, as against similar receipts for the corresponding period last year of \$14,856,121, being a difference, as nearly as possible, of \$2,000,000 against this year, and in favour of last. Now, it is quite true that a comparison of those seven months may possibly to a certain extent deceive the House, and for this reason: that the receipts during the first half of 1874-5 were unusually large, I believe larger than the hon. Minister of Customs at all expected and therefore this falling off, although very important, is not quite as significant as might at first sight appear. I intended to have laid upon the table of the House a comparative statement of the exports and imports for the last six months, which, by permission, I will do now, and hand to the hon. member for Cumberland. From this statement it would appear that whereas, in the half year ended 31st December, 1874, we imported and entered for consumption \$69,693,978 of imports; in the six months which closed on the 31st December last, we only imported for consumption \$51,923,236, showing a decrease in these six months of very nearly \$18,000,000. On the other hand we exported, during the

corresponding period of 1874, the quantity of \$53,740,729, and during the six months of 1875 we exported \$50,624,845. Now, at present, I will only say this with respect to that statement, that although there has been a very great and formidable decrease in the imports and revenue derivable therefrom, the House will see with satisfaction that there has been only a small decrease in the total volume of the exports of this country, and that that decrease has taken place in only the single article of sawn lumber, exported to the United States. Notwithstanding, Mr. Speaker, it is quite true, that the result of the statement I have laid on the table is to show that the estimates which I made for the current year must necessarily be revised, and I do not at all desire to convey to the House the idea that I foresaw any such commercial catastrophe as that which has overtaken the country. It is obvious, if I had foreseen it, I would never have presented the estimates I then submitted. I was aware of course that every estimate made eighteen months in advance is necessarily exposed to the chances of being rendered worthless by some unexpected calamity such as has overtaken us. Nevertheless I believe that those estimates were justified, inasmuch as they were based partly on the experience of the two or three years preceding, and partly on our probable exports and imports in ordinary average years. As I remarked at the commencement of my speech, I have more than once pointed out the danger of a large diminution of the volume of trade and commerce of the Dominion, but nobody could expect me, or anybody else, to know what especial shape that reduction would assume; whether it would be acute or chronic, whether it would take the shape it has taken or whether it would occur in the shape of stagnation for a considerable period extending over several years, until the natural growth of the country had brought us up to the consumption indicated by the returns for 1873, 1874, 1875. For this very remarkable diminution in the amount of our imports, there are two main causes. One cause is the diminution of the volume and quantity of articles imported. That statement I have seen on some occasions contradicted, but the trade returns, which I hold in my hand, completely warrant my assumption. But there has been another, and a somewhat singular cause, at work; and that is not so much the diminution of the volume of these articles as the remarkable shrinkage of values which has occurred during the

last two years. Now, my hon. friend, the Minister of Customs, at my request addressed, some time ago, a series of circulars to leading merchants in the principal ports with a view to obtain from them an estimate of the extent of this shrinkage in the more important articles which we import, and from that—although I will not weary the House with the detailed statement—I find that this shrinkage has been well nigh universal, spreading over almost every important article which we consume, and extending from 10 and 15 to 25, and in some cases to 30 or 35 per cent. of the previous value of the articles. It need hardly be said this was a very serious disturbing element in all calculations which either he or I were able to make of the probable imports and revenue to be derived therefrom. Now, in proof of the statement which I made, that a very large proportion of the loss of revenue arises from this shrinkage of value, I may state, that on examining a comparative statement for the six months ending December 31st, 1874, and the six months ending December 31st, 1875, I find that it has taken place almost exclusively in one list. On articles bearing a specific duty the total revenue received was \$1,307,000 for the six months of 1875, as against \$1,426,000 in the preceding half year, showing a diminution of \$119,000 on that list. On what is known as the specific and *ad valorem* list combined the revenue in the last six months of 1875 was \$1,307,000, as against \$1,272,000 in the preceding half year, showing an increase in that department of \$30,000. There was a small decrease in the 25 per cent. list, but when we come to that large and important list known as the 17½ per cent. *ad valorem*, we find in the last half year of 1874 that we had a total importation of \$28,771,000, whereas in the corresponding period of 1875 our total importation only amounted to \$18,142,000, being a reduction on that one class of articles alone of \$10,600,000, and that the revenue which we derived in 1874 from that source amounted to \$5,034,000 as against \$3,174,000 in 1875. In other words, almost the entire loss under Customs revenue during the preceding six months has accrued on the 17½ per cent. list. Those figures are very remarkable. They indicate that there was a considerable and undue inflation; but it must be borne in mind, in this particular as in some others, that what is bad for the revenue is, on the whole, good for the country. The result of the figures which I have submitted appears to prove conclusively

that although the revenue of Canada has lost one or two millions, the people of the Dominion have gained many millions. It proves that they have been able to buy a large quantity of these goods for a less price than they previously cost, and that the country is, in one sense, largely the gainer by this diminution of values. There is, of course, a drawback to this. It has undoubtedly contributed, (in connection with other things) to add to the depression that has overtaken the manufacturing and commercial interests of the country. I am not disposed to underrate that effect, but still I must call attention to the fact that as our exports have not been appreciably diminished, and as it appears that a very large proportion of the diminution of our imports does not arise from any decrease of consuming power on the part of the people of Canada, but simply from the circumstance that they get better bargains for their money than before, it is on the whole an advantage, and not an injury to the people. Now, it is, of course, rather difficult to estimate minutely what particular portion of the loss of revenue is due to shrinkage of value, and what portion to diminished consumption, but I am inclined to think if we could accurately discriminate between the two causes, we would find the larger part of the loss is due to shrinkage, and not diminution of consumption. This is a matter which it is impossible for me or for any other Finance Minister to guard against in advance.

It may be well before going further to offer a few observations on the causes of the prevailing depression which we all deplore. I do not think there will be found any great difference of opinion as to what the causes are, although I am inclined to believe there will be a wide divergence as to the extent to which they severally operate, and the way they act and reach upon each other. I think it must be abundantly plain to anybody who has watched the extraordinary expansion of our commerce, and also of bank discounts, during the past few years that one considerable element of the present depression is due to the large over importation that has taken place. We find the imports entered for consumption increased as follows:—From \$87,000,000 in 1871, to \$107,000,000 in 1872; and \$127,000,000 in 1873; that then they remained stationary for a year, and last year they fell to \$119,000,000. We find during the same period that the bank discounts rose from \$50,000,000 on the 1st of

July 1869, to \$61,000,000 at the same period of 1870, \$79,000,000 in 1871, \$102,000,000 in 1872, \$116,000,000 in 1873, \$130,000,000 in 1874, at which point they appear to have remained tolerably stationary. It is perfectly clear from these figures that there was, to say the least, a very considerable risk that many of our importers were holding vastly larger stocks than it was at all prudent for them to do, and that then, and after this process had gone on for some years, they were suddenly confronted with the disturbance in values to which I have alluded. It is no wonder very serious distress was inflicted on some of these people. These causes operate in two ways. In the first place there was a very large depreciation in value caused by the simple fact of carrying over these stocks from year to year. In the second place their value was still further reduced by the positive shrinkage above mentioned. There can be no doubt a very large portion of the distress in commercial quarters is attributable to this cause. The second cause which has operated very powerfully is the unfortunate depression which has prevailed for some years in that great branch of industry, the lumber trade. Everybody who has paid any attention to our ordinary business affairs, particularly in Ontario, Quebec and New Brunswick, is aware that this is perhaps, the largest single interest in the country except the agricultural. They are also aware that it gives support and employment to several hundreds of thousands of people and furnishes one-third of our exports to foreign countries; and further that, from the nature of the trade and the amount of money it puts in circulation, it is one of special importance to the commercial classes of the community. It is no secret that this industry has been for a considerable period in a state of great depression, and I believe, that it will be found that no inconsiderable part of that depression resulted from the very common cause that a number of people without sufficient capital and experience, (stimulated no doubt by the fact that many of my hon. friends engaged in this occupation had been supposed to be accumulating very rapid fortunes) chose to engage in the production of lumber in the face of a falling market. Then, sir, when the great fall of prices took place in the United States two or three years ago, thereby cheapening, of course, the cost of production in that country, it became very difficult for our lumbermen to compete on reasonable terms with the

American lumbermen, particularly as several new districts have lately been thrown open in that market. And this, I deem to be another and very potent influence indeed in producing the present depression. There was besides all this that general extravagance and over speculation, which unfortunately always follow any period of inflation or even of great prosperity continued for several years. Every one knows our markets are limited. Every one knows that there are few manufacturing industries which will allow more than a certain number of people to engage in them, and I think, sir, most people who have watched the course of business in this country will agree with me that during the last few years a very considerable number of persons have engaged in manufacturing enterprises, for whom there was really no room, and, as was well said on a recent occasion that many of them possessed neither the brains nor the money to bring their enterprises to a successful issue. And although I know that our banks as a rule are well managed and conservative in their mode of carrying on business, and although I don't at all mean to say they are one whit worse than their competitors in the United States or Great Britain, either, for that matter—still I say that various banking institutions of this country have been not wholly faultless in this matter. Every one who knows much about practical banking is aware that banks, when they have accumulated large sums of money, are very apt to discount largely to men of straw. Nothing they do does such frequent injury to banks as encouraging adventurers of that class who have entered into rash speculations; and I don't hesitate to say that no inconsiderable portion of the existing depression has arisen from that cause. I repeat that I don't mean that our banks are worse than those of other countries; I merely mean to say that it is one cause of mischief common to all banks in all countries—so far as I know—to grant discounts at such times to such persons on terms which no legitimate enterprise would warrant. These, Mr. Speaker, appear to be the chief internal causes, so far as I can at present ascertain, which have led to the existing depression. But it must be remarked that our distress has been considerably aggravated by external causes over which we had no sort of control. The House knows that the people of the United States have been labouring for two or three years under most unusual depression. The House knows,

also, that it is quite impossible for a small community like ours, placed as it is in the immediate vicinity of a great nation of forty-four millions of people, bordering on us for two or three thousand miles—the House knows, I say, that it is quite impossible that any long continued permanent depression can exist in the United States without reacting very powerfully upon us. We know, sir, that when the price of American staples are high ours will be high also. When labour is dear in the United States it will be dear in Canada—when cheap it will tend powerfully to make it cheap in Canada also. And it is no source of wonder that when the cost of production becomes small in the United States, it should react more or less unfavourably on persons engaged in similar manufactures on this side. I do not purpose at this present moment to enter fully into the discussion raised as to Canada being a sacrifice or slaughter market. But I must admit candidly that I have no doubt that the distress of our manufacturers has been aggravated, though I will not say to what extent, by this cause. Then, unfortunately for us, the preceding year was one of general financial trouble throughout the world. I do not know a country in Europe that has not suffered during the year that has just closed. There can be no greater mistake than to suppose that the commercial depression was confined to New York or Montreal alone. Every one who knows anything of the general state of commerce cannot but know that in London, in Berlin, in Vienna, in Moscow, and St. Petersburg to boot, men have suffered and are suffering from a great and long continued commercial distrust and depression; and this, no doubt, did react considerably on the state of things here. It is hardly worth while to indulge in any lengthened proofs of facts which I suppose all commercial men will admit. But if any one desires further proof I will refer them to the language of Sir Stafford Northcote and Lord Derby, both of whom have warned the English people that they must not expect a repetition, indeed, hardly a continuance of the remarkable expansion which took place in England, as well as in this country, during the years from 1870 to 1873; and if we turn to the neighbouring Republic we find Governor Tilden, the chief magistrate of the great State of New York, in his message to the Legislature, speaking in the following terms:—

"Few kinds of business have been recently carried on at a profit. Labour finds scanty employment even at reduced wages; incomes are lessened or fail altogether; many investments have become wholly or partially unremunerative; property is shrinking, losing for the time its circulatory character, and becoming unavailable as a resource to pay debts or to raise money."

Were I inclined to multiply other proofs, I might find them in the fact that many important staple articles of English export have diminished both in quality and value, and that we have gentlemen in the House of Congress rising and proposing resolutions with the view of obtaining more protection for the languishing industries of the United States. I do not believe it is necessary for me to dwell upon this theme any longer. From all these facts this result, if no other, appears tolerably patent to my mind—if more men and more capital are engaged in any business than it legitimately requires, there is nothing more likely than that you will have distress among the producers, and it does not matter whether your market be four millions or forty millions, or four hundred millions, over production will always produce distress. Nor does it very much matter, for that particular purpose, whether free trade or protection is the policy.

There is another question on which I desire to say a word or two. It has been asked in this House, and outside this House, whether, and to what extent, this Government were responsible for the distress which we have witnessed. Now, if this question be asked of me, I should say that neither the present nor the preceding Government were directly responsible for that inflation or for the consequent distress. That inflation would have taken place whoever sat on these benches, in my opinion at least. I do not believe that in a free country it is in the power of a government to restrain their people from embarking foolishly or recklessly in improvident speculations. All, I think, any government can do is to warn, to caution, and to carefully restrain its own operations within safe limits, and if it fail to do this then, so far, possibly, a government may be indirectly responsible for inflation. Wherever a government is found treating a temporary inflation as indicating a stable, enduring prosperity, or entering into engagements which the country cannot possibly fulfil, unless that inflation become permanent, then in such a case I can agree that the government should be held directly

responsible. And I leave it with confidence to the people of this country and to the members of this House whether that is a fault which can properly be charged to the present Government.

Now, I propose, Mr. Speaker, to call the attention of the House to the estimates of the current year, recently laid on the table. But before I proceed to details, it may be as well that I should say a few words on one important feature of the general policy of the Government. The House is aware that when we entered upon office we found a very large number of minor public works, of the class ordinarily charged to income, in course of construction or arranged for. I stated at the time that it would be impossible for us to make any reduction in that item of expense for several years. I stated also that I did not expect it would be permanent, and that a reduction in that respect was one of the resources upon which I relied, in the event of any temporary diminution of imports, to make both ends adjust themselves. I think, sir, the House will see, in looking at the estimates, that we have succeeded in carrying out our policy with a very reasonable degree of accuracy. We did not deem it wise to suspend or interrupt any of those public works to which we found the Government committed, for two reasons. In the first place, we found that owing to the low price of labour and material, it was on the whole advisable to proceed with the completion of those undertakings as early as possible; and neither my hon. friend (Mr. Mackenzie) nor myself thought it expedient in a time of great depression to delay the progress of any of them or to restrict ourselves to those which were absolutely necessary. We knew these works had to be completed sooner or later, and that they to had be paid for, and our policy was to avail ourselves of the cheapness of the times, and also, to a certain extent, to relieve the distress which we, as well as every one else in this country, must desire to alleviate if we can. If the House will do me the favour to turn to the estimates, they will find that we propose, in the present year, to ask for certain additional sums. The first and most important of these is the amount of \$513,000 additional interest on the public debt, rendered necessary by the loan which I contracted in London in the autumn of last year. The second item is a statutory one, and is rendered necessary by the creation of the Supreme Court. This sum embraces the salaries of the Judges and certain other

incidental expenses. The third item is a very considerable augmentation of the expenditure for Mounted Police. While on that subject I may say that it has been found that that force, although very efficient and valuable, is necessarily very expensive. It is very difficult to procure food and forage at the outposts at which it is placed, and therefore we have found it requisite to take an additional vote on this occasion in order to be able to supply them with the articles they need. I may further state that the Minister of Justice informs me that he hopes within a year or two to be able to reduce that outlay by establishing farms in the neighbourhood of the posts; and if these should prove unsuccessful it is tolerably certain that we will be able to secure food and forage for the horses at much less cost than hitherto, from settlers who may be expected to go into that country in considerable numbers, and who by preference will locate in the neighbourhood of fortified points. There is also a considerable item of increase in the shape of an amount of \$63,271 for treaties with Indians. It is probably needless for me to point out to the House that it is absolutely necessary that we should conciliate these tribes and obtain legal title to the land which they at present occupy. No doubt the sum total demanded for the Indian vote will appear considerable, but the House will find in the future that it is far less expensive to settle with these people in this way than to employ several hundred additional mounted troopers to keep the peace in those territories. These, I think, comprehend the chief services in which we shall ask for additional votes, with the exception of some small increase in the vote for printing in connection with the Legislature, and some addition for the Post Office Department, which my hon. friend (Mr. Huntington) will explain when the estimate is arrived at. Coming now to the other side of the account, the House will perceive that in Civil Government we have effected a decrease on the estimate for last year of \$27,253; on that for Dominion Police of \$10,000; on Penitentiaries, \$29,959; on Arts, Agriculture, and Statistics, \$156,680, (this, I think, being chiefly composed of some charge in connection with the Philadelphia Centennial); on Immigration and Quarantine, \$192,760, (partly in consequence of not requiring any further loan for the Mennonites, and partly in consequence of some other reduced expenditures which will be seen on referring to

the details.) In the important item of Militia, we have effected a reduction of \$395,848, leaving \$949,151 as against \$1,345,000 for the preceding year. I am not about to enlarge upon that at this moment, as I am quite aware that I shall have plenty of other opportunities.

Hon. Mr. MITCHELL—I am glad my hon. friend has adopted the suggestion I made last year.

Hon. Mr. CARTWRIGHT—I am glad to hear from the leader of the Left Centre—the suggestions of the Left Centre will always receive due consideration. Coming to Public works and buildings chargeable to income, the House will see that the expenditure under that head has been reduced to the lowest amount consistent with a due regard to our engagements. On that vote we propose a total reduction of \$1,701,200. On the item of Ocean and river Service, on which there were unusual charges last year, there is a decrease of \$171,847; on Light-house and coast service, \$146,750. The item of Boundary surveys, \$100,000, we have dropped, as we think we can manage without it on this occasion. On the item of Dominion lands, which have been a source of very great expense for a considerable number of years, we have reduced our total expenditure by \$170,000. There are some other minor items of reduction, but I will not detain the House by referring to them at present. The result of all this is, that although we have been obliged by unavoidable circumstances, and by the necessity of carrying on the great public works on which we are engaged, to make a total addition to our expenditure of \$776,000, we have, at the same time, effected such reductions as amount in the whole to \$3,247,000, being a net decrease on the estimates submitted last year of no less than two and a half million dollars. If my hon. friends desire to know whether any further reductions are practicable, I may say that I do not believe that it would be in the interest of the public service to make any more at present. It may be possible, however, for my hon. friend beside me to make some further diminution in the expenditure on maintenance of the Intercolonial Railway, some very important sections of which we have been engaged almost ever since we have been in the Government in putting into better order. That expenditure is rapidly coming to an end, and I hope that in a short time my hon. friend will be able to show a further reduction in that item of some two hundred thousand dollars,

more especially in view of the fact that, as I remarked before, iron is being replaced by steel, contributing materially to the economy and better working of the road. I might, also observe, under this head, that although we cannot be congratulated on having heretofore derived a large revenue from the public works of the country, and although I have frequently found it an obstacle to our financial negotiations that our public works, up to the present time, have only contributed indirectly to our general prosperity, still I think that when the Welland Canal is completed we will be able to show for once an exception to that general rule. I would not dare at this moment to form any estimate of the revenue immediately likely to be derived from that source, but looking at the fact that even in its present imperfect condition, it yields a moderate revenue, I cannot be much astray in supposing that the receipts which will be obtained from this source will at any rate give us some considerable return for the large sum which it has cost us. With regard to our other public works, I am sorry to say that my best hope is that the deficit on working expenses will be gradually reduced. As honourable gentlemen will see, we are obliged, for their maintenance, to make provision for a considerable outlay over and above the total receipts. But I may state that it appears at the present time to have reached a maximum, and that there is reasonable ground for believing that the expenditure under this head will tend to equalize more nearly with the outlay in the future than in the past. Now, sir, if the House will refer to the Budget speech I addressed to this House in 1874, honourable members will see that I then took occasion to caution them that even after the extraordinary charges to which I have alluded had been disposed of, the total expenditures of the country (apart from interest, subsidies and the charges on maintenance of public works) could hardly be brought below the sum of seven millions; and I also told them that in the course of two or three years I would endeavour to do it, and hon. members looking over the various items in the estimates will see that I have redeemed my pledge, for the total vote asked for these purposes on the present occasion is well within that sum. I might also add that these estimates are in reality slightly less than they appear, because there are certain expenditures which will probably be recouped by fees (although there will, no doubt, be a

deficit on the general working of those services) which were not taken into account in that statement to which I have referred.

Before I proceed further with my remarks, it may be as well to explain to the House the reasons which induced me to anticipate slightly the time for making the loan which as the House was aware was expected to be made in the course of the current year. They are several in number. It is quite true that when I last addressed the House from this place I did not intend to appear in the London market again until the spring of 1876, and I believe I then so stated; but after full consideration I thought it would be more in the public interest to effect this loan last autumn. In the first place, Mr. Speaker, the time was eminently favourable. There was a large accumulation of money seeking investment in London, for which few eligible investments offered; and in the next place I desired as much as possible to spare the resources of our people. We had exhausted all our means in London of necessity, because we were obliged during 1874-5 to pay the sum of ten millions of our indebtedness, bearing a high rate of interest, and to expend seven or eight millions in public works, in connection with which, also, very large disbursements were being made during the current year; and in the peculiar condition of the country, it did not appear to me that it was desirable to exhaust too completely the reserves we held on this side of the Atlantic. Moreover, sir, I considered that the House would be in a better position to discuss the proper policy to be adopted at this crisis, if it was known that we were in no immediate want of money, and I felt tolerably certain that I would be able to secure better terms last November than in April of the present year. Then, sir, there was a very considerable advantage to which I will allude generally. By taking this course, we would be in a position to push on our works with all possible speed. Those who are best acquainted with the average cost of constructing public works know that for a very long time past contractors have not been able to execute these so cheaply and expeditiously as at present, and that they are now pushing forward their various contracts to completion with much greater rapidity than usual, and are making, consequently more extensive demands on the public treasury than would occur during an ordinary year. I was also bound to take into consideration

the possible risk of foreign complications in connection with the English market. It is perfectly well known that the state of Europe at large has been considerably unsettled of late, and I received advices from London which led me to believe that I would incur a greater degree of risk than I would be justifiable in incurring for the sake of saving a trifling amount of interest, if I did not avail myself of the then favourable condition of the English money market; and accordingly, after full consideration and after consultation with the financial agents of the Government, and with my friend Sir John Rose, to whose zealous and hearty co-operation on this and previous occasions I am very much indebted, I decided to issue a loan somewhat in imitation of the loan effected by that gentleman in 1868-9, though in different proportions. The latter consisted of one quarter of Canadian five per cent. bonds, and three quarters of four per cent. guaranteed stock, and my loan of two-fifths, or nearly one half, of Canadian four per cent. bonds, and the remainder, of £1,500,000, of bonds secured by Imperial guarantee. We obtained a total average of £99 1s. 6d., as reported by our London agents, and the result, I am warranted in stating to the House, has been exceedingly favourable and satisfactory. With respect to the disposition to be made of this money, I may briefly state that a certain considerable proportion will be employed to pay off debts and obligations of the country, which bear a much higher rate of interest than that to be paid by us; another considerable portion will be invested in such works as the improvements which are being made on the St. Lawrence and the payment of sums due to the Province of Prince Edward Island, and in connection with one or two matters of the same kind; while the remainder will be applied either to public works in progress or in taking up some other loans I expect shortly to mature. I may add, that there is one important point to which I will call the attention of the House, and which affects (to a great extent) our present position. I think that comparatively few members are aware of the enormous amount of the minor obligations which this Government found itself compelled to discharge within the last two or three years. When we entered office we found a very heavy outlay going on with reference to the Intercolonial Railroad proper and the Prince Edward Island Railway; also that

large expenditures were requisite in order to put the Nova Scotia and New Brunswick lines in good running condition, and push forward the minor public works to which I have alluded. Considerable sums were due on account of the St. Lawrence River improvements, under statutory enactment; a large sum was due by treaty to Prince Edward Island for the redemption of its lands, and a very heavy outlay was being made on the Canals, the Pacific Railway Survey, and for similar purposes. Now, sir, the greater portion of these sums we have already paid, and the remaining obligations we have ample funds to meet in full. In order to give the House a better idea of the sum total, I have prepared a short analysis which I will read: On account of the Prince Edward Island Railway, we have spent, since we came into office, two millions of dollars; for redemption of lands we have to pay or have paid, about \$800,000 more; Minor works, as closely as I can estimate, have involved an outlay of about four millions of dollars; the St. Lawrence improvements, including the Quebec Graving Dock, probably some two millions.

Hon. Dr. TUPPER—Allow me to ask how much has been paid to Prince Edward Island?

Hon. Mr. CARTWRIGHT—The total expenditure has been about two millions, in which, however, I include some two or three hundred thousand dollars he will find in the current estimates. I am speaking of the sum total, in this respect, that has been paid since the Government came into office.

Hon. Dr. TUPPER—On capital account?

Hon. Mr. CARTWRIGHT—Yes. These Minor public works are not, as the hon. gentleman knows, strictly a charge to capital, but I am now giving the amount of former obligations of all kinds, (over and above our ordinary expenditure,) which we have had to discharge. To resume my statement, we compute that we have spent, or will spend, the sum of three millions of dollars, on repairs, the change of gauge, the substitution of steel rails, and other matters in connection with the Nova Scotia and New Brunswick railroads while the debts we have taken up amount to no less than ten millions of dollars, and our expenditure on the Pacific Railway, Canals, and the Intercolonial Railway, will reach very near eleven millions of dollars in round numbers, making the sum total—almost all of which we have discharged

—no less than \$32,800,000, since we took office, to which I will add about two millions falling due within the next six months. Now, the House will see that it is no light matter to provide the ways and means for the payment of about thirty-five millions; but yet we have done this and in addition we have a very respectable sum of cash in hand, mostly applicable to expenditure in progress on that important work, the Welland Canal. I have been more particular in drawing attention to this, because it is very desirable that honourable members should know how much has been done, as well as what still remains to be accomplished.

Hon. Mr. TUPPER—Will my honourable friend have the kindness to state the amount of available means on hand?

Hon. Mr. CARTWRIGHT—Well, I can hardly give it off-hand; but as I see the honourable gentleman has a motion on the paper in this connection, I will furnish the details in one or two days. We will have in hand, in all likelihood, about ten or eleven millions of dollars available taking into account our reserves on both sides of the Atlantic. That is rather under than over the mark. Now, as I remarked before, (and to this point I direct the special attention of the House,) it has been a serious aggravation of the difficulties with which the Government has had to contend, that it has been obliged to keep unusually strong and to make provision far in advance, chiefly for debts maturing. We could have managed our affairs much more easily and more profitably to this country if a little more foresight had been exercised before we engaged to construct enormous public works in all parts of the Dominion in the precise years in which a large portion of our debt matured. I may explain to the House—if it requires explanation—that this is one main reason why I have been anxious to preserve large amounts in hand, and rather to anticipate than to delay the contraction of public loans. I will give a list of the various debts which mature in the next four or five years, being the precise period during which many of those public works will approach completion, from which the House may judge of the correctness of the statement I have made. I find in the current year that we have to provide for \$1,879,000 of debts maturing; in 1877-8, for \$5,731,000; in 1878-9, for \$7,624,000; in 1879-80 for \$6,060,000, and for smaller sums in the years immediately succeeding. It is needless to state that that fact adds

and always has added very considerably to the embarrassment of my position; and I regret very much that those hon. gentlemen who had previously charge of the finances of the country did not choose to begin those public works either a little earlier or a little later. There is no doubt the circumstance that those works must be paid for at the very same moment that we have likewise to discharge a very heavy indebtedness, places us under considerable disadvantage in contracting our loans.

It is probably desirable that I should now state to the House what amount of ordinary revenue we expect to receive during the ensuing year. I submit the estimates, after my experience of 1875, with very great caution. All I can say with respect to them is, that I think, as far as myself and my hon. friend the Minister of Customs can venture to form an idea in anticipation of the actual fact, there is a reasonable probability of their being realized. I expect to receive from Customs during the ensuing year, \$13,500,000; from Excise, \$5,500,000; Stamps, \$250,000; Post office, \$1,100,000; Public works, \$1,700,000—the increase over last year being estimated for in consequence of the additional amounts expected to be received from the Prince Edward Island and the Intercolonial Railways. From Miscellaneous sources and Interest, we expect \$1,200,000, which makes the total receipts, \$23,250,000, as against an estimated expenditure of somewhat less than that amount. These figures comprise the main facts to which I think it necessary to call the attention of the House. I think it will be quite obvious to the House and to the country that the Government are justified in holding the present position to be one of a purely exceptional character. Any one who considers the very remarkable expansion which took place in 1871, 1872, 1873, 1874, and continued very nearly to the close of 1875, can see that that expansion—or inflation if you will—was one of an exceptional nature, and I believe the present depression will prove equally exceptional and that the country will recover ere long although I admit that it is only too likely that the recovery will be a gradual, and in many respects, a painful one. No doubt, however this may be, it becomes us to consider the various remedies proposed for this unfortunate state of affairs. In the first place, I desire to say a few words on the general impression which prevails even in quarters where

we would hardly expect to find it; that it is in the power of this Government, or any other Government, of this Legislature, or any other Legislature, to make a country prosperous by the mere stroke of a pen, or the enactment of Acts of Parliament. I would like hon. gentlemen in this House and out of it, who entertain that illusion, as I consider it, to realise to what such a course would lead, and I ask them if they are prepared to pay the price. You can not have at one and the same time a free Government and a paternal Government. If the Finance Minister, whoever he may be, is to be held responsible for the success of the commercial community, he must have power over that community; if he is to be responsible for the prosperity of our manufacturers, he must decide what persons shall carry on manufacturing, what manufactures they shall carry on, and how much they shall produce. Perhaps under such circumstances and conditions an intelligent despot might create prosperity. We find a fine illustration of this in the territory of Brigham Young; but can honourable gentlemen point to any constituency in Canada, or to any gentleman representing any constituency in Canada, who would adopt such principles as are carried out in that region. I give the territory of Utah as an illustration, because it is a remarkable proof of what a resolute, determined, intelligent man can do in the way of creating a very considerable amount of industrial prosperity under very disadvantageous conditions, and I also mention it for the benefit of those persons who think a Finance Minister can restore prosperity by the mere wave of his hand. There is no use in concealing the fact that the Government have been importuned from many quarters to declare themselves in favour of a high tariff. Some of the gentlemen who have addressed us have done so as the advocates of Protection pure and simple; others, and I think I may say abler reasoners, have contended, and not without force, that circumstanced as we are, in connection with the people of the United States, it becomes the duty of the Administration to meet the peculiar policy of that people with a reciprocal policy in the same direction. I am averse to indulging in purely abstract discussions on the questions of free trade and protection; but as a matter of fact, it is necessary for me to review at some length the various arguments advanced on the subject. I don't entirely agree with those gentlemen who maintain that there is no ground for the champions of

the Protectionist party. I have always myself been of opinion that in a new country like this there is considerable force in the argument that it is not well to allow ourselves to depend exclusively on foreign manufactures; and that if we do there is some chance that we may be supplied with the mere refuse of their exportations; and probably in that way we do derive some considerable indirect advantage from the establishment of manufactories amongst us. Also, I am inclined to believe that under certain circumstances a revenue tariff may be advantageously imposed, and may afford considerable benefit in overcoming temporary obstacles in the way of infant manufactures but I don't believe any tariff can overcome natural obstacles except at a very undue cost. As to the vexed question of the surplus population or labour which is employed by native manufactures, I can only say this:—that probably there may be some foundation for it; but still I think the amount of the employment afforded is vastly less than has been alleged. I may also add that the result of the investigations I have made on this and various other occasions have served to convince me that although it is possible to manufacture a very considerable proportion of the articles now imported, yet the number of hands who would thereby derive employment is very much less than supposed. As to the curious allegation made by the Protectionists, that if our manufacturing friends are sufficiently protected it will not increase the cost to the consumer, as sufficient competition will arise to cut down prices so low that we will be just as well off as under the present tariff, I have simply to say, that it may be that in time that result would be produced, though whether it would be permanent is another matter. But I think it would take time, and that during that period a few gentlemen would make large fortunes while the rest of the community would have to pay an enormous price for their benefit. But I may add, that if this is to be the result—if the desire of the protectionists is by internal competition to cut down the standard of prices, I would strongly recommend the gentlemen to begin now, and by these means defy foreign competition.

Voice—There is not much protection in that.

Hon. Mr. CARTWRIGHT—The Government would be exceedingly glad, and the Finance Minister individually would be glad to know

that they could, with advantage to the whole community, lay on more taxation and obtain more revenue; but, sir, none know better than some of these gentlemen opposite that the power of any Government to impose taxation is subject to stringent restrictions, and in no place to more stringent ones than in Canada. We have to consider three important limitations—the financial, the political, and the geographical circumstances of the Dominion. This Government must have revenue, because they are committed, through no fault of their own, to very formidable obligations; and any gentleman can see if we put on a high tariff it reduces our revenue just in proportion as it affords protection. Moreover, it is part of the A, B, C of financial economy that high tariffs diminish consumption by raising the price of goods, and that they also encourage smuggling, and demoralize the people who are subject thereto. Then they diminish imports by the artificial stimulus which they apply to home productions. In addition to this there are political difficulties the Government have to consider. Canada, as now constituted, is composed of different Provinces, having different and sometimes conflicting interests; that which may be desirable for one Province may affect others injuriously and unfairly, and the Government in bringing down a policy must not legislate for any one section, but for the general welfare of the whole Dominion. And lastly, we are bound to consider our geographical position, placed as we are alongside the people of the United States. We have had their experience as to the effect which a considerable difference in duty (amounting, perhaps, to 20 or 25 per cent) between the cost of production in Canada or the cost of laying down goods in Canada, after paying our rate of duty, has had in fostering smuggling from Canada to the United States, and when the cost of production becomes so low that corresponding advantages would be obtained by smuggling goods from the United States into Canada, we would have precisely a repetition of the doings which went on along our own frontier in by-gone years. The American authorities put the total of this illegitimate trade at an extremely high figure—higher than, I think, facts at all warrant—but in any case I have no doubt that a considerable proportion of the imports into Canada from other countries first paid our tariff, and were finally smuggled into the American Republic, and paid for by

American gold. The fact is, it was infinitely easier in the interests of the manufacturers, to impose a higher tariff before this Government came into office, when the cost of production was higher in the United States than it is to-day. My hon. friend, the Minister of Customs, informs me that even as it is he has great difficulty in protecting the revenue against the smuggling of certain articles on which our tariff is higher than the average rate. Now, sir, as the example of the United States has been quoted very often as one we should imitate and follow with all possible speed, I may say that I, too, am disposed to quote it as the best possible warning to the people of Canada not to be led into the delusion of imposing a high tariff. Under the combined influence of their high protective tariff and their paper currency, I believe very grave and serious evils have resulted during the last ten years to the people of the United States. In the first place, it has led to an enormous waste of public resources. It is computed by American statisticians that for every dollar coming into the American treasury the public loses three by the operation of their high tariff, or in other words, the waste in the United States by their tariff has amounted nearly to \$600,000,000 a year for the last ten years, or a loss of \$6,000,000,000, nearly double the entire amount of the national debt of that country. I do not pledge myself to this statement, though it is made by men of considerable weight, but I will crave permission to read to the House the observations of the Hon. David Wells, made on July 12th 1875, on this subject. What he says is as follows:—

“ For fifteen years now the experiment of protection to home industry has been tried in the United States on the largest scale and under the most favourable circumstances for success that the world has ever seen, and under its influence the domestic industry of the country, to use a slang expression, has been ‘getting no better very fast.’ Every prophecy, so confidently made in the past as to the results of protection in inducing natural prosperity, has been falsified; and one has only to pick out the separate industries which have been especially protected to find out the ones which are more especially unprofitable and dependent. Thus, in the manufacture of pig iron, excessive profits have given rise to such excessive competition as to render the whole business ruinously unprofitable, a condition of things from which there can be no recovery, except through a continued suspension or curtailment of production, the utter abandonment of many furnaces, and the utter loss of a vast amount of recklessly invested capital. In the manufacture of silk, the manufacturers, although enjoying for many years the protection of a sixty per cent. duty on all manufactured imports and a free admission of all raw material, are desirous of a still higher duty, and unanimously of the opinion that an abatement of the existing duties, to even the slightest degree, would be to them altogether ruinous. In the manufacture of wool—an industry in which the represen-

tatives of protection were allowed to dictate without interference the exact measure of protection which seemed then desirable, and caused the enactment of duties ranging from 50 to 150 per cent.—it is sufficient to say that the existing depression and stagnation are without parallel; eight of the principal mills of the country having been sold on compulsion, within a comparatively recent period, for much less than fifty per cent. of their cost of construction—the Glendarn mills in particular, one of the largest and best equipped woollen establishments in the United States, advantageously located on the Hudson, about fifty miles above New York, and representing over one million of dollars paid in—having changed since the first of April last for a consideration of less than \$200,000.”

Sir, these are pregnant remarks, and without committing myself as all to the details which Mr. Wells has given—although he is a gentleman who would not put his name to a statement of facts which he did not know to be well ascertained—I repeat that they are pregnant with warning to the people of this country and the members of this House. My next objection to the system of the United States is this: that under the combined effect of a high tariff and inflated paper currency they have imported an exceedingly strong gambling element into all commercial transactions, to the great detriment of the large business class in that community; and further, I say that any man who carefully examines the working of their system will find that their high tariff has tended most materially to enrich a very few and seriously impoverish the great masses of the people. I regard that result as of great importance. There is no problem harder to solve than how to distribute wealth in a highly civilized country like ours. You may trust the instinct of the people to acquire wealth, but the difficulty is, to distribute it. My belief is that the introduction of a high protective tariff would tend to enrich a few, but it would diminish in the long run the wealth and comfort of the many. This is one among many reasons why I do not believe that we should be asked to imitate the United States in the imposition of a high tariff. I believe the creation of colossal fortunes such as has taken place there, and perhaps in other countries, does threaten serious mischief. I have no objection to the accumulation of reasonable independences, nor do I indulge any hope of enacting sumptuary laws to limit the amount which any man should accumulate in a lifetime; but I do say that any legislation which overrides the ordinary natural laws, and operates in the direction of creating large accumulations in a few hands, is dangerous and ought to be discouraged. I doubt exceedingly whether it is in the interest of any

country that there should be a few colossal fortunes and the public should be taxed to contribute to these fortunes, and I venture to say, if I may do so without infringing the rules of debate, that we have had a notable illustration in this country of how the possession of an unusually large fortune by one man may imperil the best interests of the Dominion. Then, lastly, I have an objection which, I think, ought to weigh formidably with the Legislature. I believe a high tariff necessarily encourages the formation of rings, and that those rings will involve bribery. Every protected interest will inevitably form a ring. Every ring will inevitably bribe. We have seen enough in past times of the mischief which can be done by large corporations, or rather by wealthy or unscrupulous men controlling such corporations. I don't want to see a permanent lobby formed for the purpose of watching the readjustment of the tariff. I think without its aid those who are charged with that duty are amply able to take care of themselves. I know it is commonly asserted that the manufactures which would spring up under a high tariff would, at any rate, add considerably to the population of the country. Now, I have carefully considered this point, and my opinion, formed from studying from the working of things in Canada, and such information as I have been able to collect from gentlemen, who are familiar with the question in the United States, is this: The effect of a high tariff is not to add to any great extent to the population of the country, but to promote an artificial transference from the rural districts to the towns and cities at the expense of the agricultural interests. If you discriminate against the agricultural interests, if you enact that they shall receive less from the results of their labour than they would without your interference, then you undoubtedly promote an artificial transference from the country to the town. I have no objection whatever to see our towns and villages increase to any size that may be desired by a natural and healthy growth, but I do not approve of this artificial transference. I do not think we should stimulate a movement that already exists too largely. I have seen hundreds of men who would have made successful farmers, forsaking the rural districts to enter into commercial pursuits, for which they were very indifferently suited. There is not the slightest doubt that this has been one—although I will not say a very great—cause of the commercial depression in this

country, that many persons quitted their avocations in the country and became small shopkeepers and tradesmen of various kinds, and that by their competition with each other, they have added to the depression which prevails. If hon. gentlemen will look at the last census returns for the several Provinces, and Ontario and Quebec especially, they will see that my apprehensions on that score are not altogether unfounded. Although it is quite true the population of Ontario increased considerably from 1861 to 1871, it is nevertheless the case that in fifty out of our eighty-eight electoral districts, the rural constituencies hardly increased at all, and an analysis of the census will show that a very large proportion of the increase, where it did take place, was not in the townships, but in the towns and villages. In Lower Canada it is well known there was hardly any increase at all outside of the cities of Quebec and Montreal. If any honourable gentlemen are disposed to assert that the reason our people have forsaken our rural districts was because there was no more room for them there, because the fertile country was entirely occupied and well cultivated, I must respectfully dissent from that proposition. I say there is ample room in our rural districts, and it would in many cases be a most profitable diversion of our capital and labour to send them to the country to cultivate it better than it is tilled at present, and I earnestly recommend that course, not only to some of my hon. friends, but to the people they severally represent. I do not deny that the policy of the United States may have fostered, and perhaps considerably fostered, certain special industries. I think this exceedingly likely. It would be a great wonder if, after the enormous tax they have inflicted on themselves, they had not done so, but I doubt very much whether those industries are worth what they cost to the people of the United States, and I doubt still more whether, if they had adopted a more rational policy and let their manufactures severally alone, they would not have been in quite as prosperous a condition as we now find them. I believe the people of the United States have harmed themselves a great deal by the peculiar policy they have adopted. I do not at all mean to deny that they have, at the same time, harmed us considerably. I have pointed out several reasons which lead me to believe that if a great depression prevails in the United States, because of over production there, it must react

very (i) advantageously on people who are engaged in the same occupations here. I regret that this is so. I desire, if I could, to remedy it; but when we are asked to deal with a peculiar exigency, affecting any industry or class in this country, we must consider what effect our action would have upon the bulk of our population. Of course the action of the United States is adverse to our sense of fair play, and as regards American manufacturers, my sympathies are entirely with our own people. It is undoubtedly a hardship they should be excluded from the markets of the United States, while our tariff enables American manufacturers to compete with them in ours, or, as it is called, slaughter their goods; but I doubt if the fact that the Americans have done themselves and our people a great deal of harm, is sufficient ground for asking the Government of this country to inflict a lasting injury on the people. Now, sir, I am afraid I am tiring the patience of the House. (No, no—go on.) Although I don't on usual occasions make much use of scrap books, I would claim indulgence while I read a few remarks from an eminent American paper. It is always well to see ourselves as others see us; and there are some things in the article I have before me, which I think we may, without any harm, consider a little. The article is headed "Protection in Canada," and is as follows:

"A recent discussion in the Canadian Parliament shows that there is a very formidable movement in the Dominion to so revise their revenue tariff laws as to apply the theory of 'protection' to Canadian manufactures. Regarding this movement from a purely selfish American point of view, one is inclined to wish that the Protectionists of Canada will carry their scheme through. It will be largely in the interest of the United States Government to have such a system of high tariff duties adopted in Canada as will place the two countries on an equal footing in this respect. As it is now, Canada has the decided advantage. The Canadian products of the farm and forest have the same foreign market as the products of the United States. The Canadian farmers and producers get as good prices abroad as the farmers of New York, New England, Pennsylvania, and Ohio, and better prices than the farmers of Illinois, Wisconsin, Iowa, and Minnesota, because the latter are further removed from the European markets, and have to sacrifice more in the way of transportation. At the same time, the Canadians are able to purchase all their manufactured goods at from 25 to 40 per cent. less than the people of the United States, owing to the absence of the protective element from their tariff. This circumstance has developed a gigantic system of smuggling all along the border from Maine to Oregon, which amounts in the aggregate to perhaps not less than \$25,000,000 annually. If the manufactured goods in Canada are placed on the same plane in the way of tax as the manufactured goods in the United States, this amount of money will be saved to American shop-keepers and manufacturers, and the vicious and demoralizing custom of smuggling will be

checked to that extent. As long, therefore, as the United States are cursed with a species of robbery known as 'protection,' it is to our interest that Canada shall be similarly cursed, in order that the Canadian farmers and people generally shall be compelled to compete on equal handicapped terms with their neighbours on this side of the line, and that the enormous smuggling business shall be stopped. Government loses several millions a year of revenue from the evasion of the Custom House duties, and our shopkeepers, and tailors, and manufacturers are deprived of many millions of dollars of demand for their goods. When the Canadian tariff is advanced to the beastly high level of our 'protective' crushing machine, the natural advantages of the United States will enable our dealers and manufacturers not only to secure the trade they now lose, but to sell more goods in Canada than at present, as everything will become dear and high priced over there, except agricultural products, lumber and fish.

"At the same time, while fighting to rid this country of the incubus of protection, it would be unfair not to expose the folly and stupidity which have prompted some of the Canadians to seek a repetition of our own disastrous experience. This new movement on their part is prompted by the recent financial depression in Canada, which has been falsely attributed to the difference in the tariff laws of the two countries. The fact that this is not true may be readily demonstrated by a comparison between the foreign trade of the two countries. The United States, with a population of 44,000,000 souls, have a foreign business amounting, in round figures, to the following statement:—

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| Imports..... | \$600,000,000 |
| Exports..... | 525,000,000 |
| Balance in gold..... | \$ 75,000,000 |

The imports and exports of Canada, with a population of only 4,000,000, were as follows in the year ending June 30, 1875:—

| | |
|--|---------------|
| Imports..... | \$119,618,657 |
| Exports..... | \$ 77,886,979 |
| Goods smuggled into the United States..... | 25,000,000 |
| Total exports..... | \$102,886,979 |
| Balance..... | \$ 16,731,678 |

The following shows the heads under which the exports were chiefly made, with the value of those exports:—

| | |
|--------------------------------|--------------|
| Produce of the mine..... | \$ 3,878,050 |
| Products of the fisheries..... | 5,980,527 |
| Products of the forests..... | 24,781,780 |
| Animals and provisions..... | 12,700,597 |
| Agricultural products..... | 17,258,358 |
| Manufactured goods..... | 2,208,040 |

"This only includes the registered products which are exported, and does not include any of the cheap foreign goods smuggled into the United States, such as silks, satins, laces, velvets, shawls, ladies' toilet articles, jewellery, broadcloths, clothing, underwear, fine cutlery, queensware, and a thousand other things which are imported into the Dominion at one-fourth to one-sixth the American tariff taxes.

"The foregoing figures show that Canada, with only a million more people than the State of Illinois, and not so many as the State of New York, has a foreign business about one-fifth as large as all the United States, with eleven times as many people, and natural resources infinitely superior. The Dominion is almost destitute of those great and essential elements of strength and development, coal and iron; neither has she in quantities which pay for working such minerals as gold, silver, lead, copper, zinc, or mercury; her petroleum wells are little better than delusions, (I do not quite agree with this, I may remark); and she is wholly lacking in those rich, agricultural staples of cotton, corn, tobacco, sugar and rice. Yet the extent of her shipping and commerce, and the value of her surplus products, are truly remarkable for a country of so scanty population and restricted natural resources.

"The reason for this large commerce and the prosperity of her farmers, in spite of all the natural disadvantages, is simply because Canada has had a tariff averaging only about 12 per cent., while the United States has had a tariff averaging 48 per cent., or four times as much. The Canada tariff has been a tariff for revenue only; the United States tariff has been a tariff for protection—against consumers.

"It is absurd in the face of this showing to claim that a protective tariff will be of any benefit to Canada, especially to her farmers, and lumbermen, and fishermen. It is true that there has been a decline in the value of the commerce of the Dominion during the last year, but there was a marked increase every year up to 1874. The falling off of the last year has amounted to about 10 per cent., but it can all be accounted for by the decline in prices; there has been no decrease in the bulk of the trade. But this failure to maintain the ratio of increase in the past has been owing simply to the commercial depression that has prevailed throughout the entire world and with special hardship in the United States, Canada's nearest neighbour and chief customer. The general depression in this country was brought about directly by the two evils of over protection and an inflated irredeemable currency. Canada has suffered infinitely less than the United States. As to any other difference in favour of the United States, it must be looked for in the enormous natural advantages possessed by this country. If Canada possessed the rich and vast deposits of coal and the great mountains of iron which the United States have, and if she were blessed with a climate that would grow corn, cotton, tobacco, sugar, rice, peaches, grapes, and oranges, the difference in her tariff laws would enable her to completely outrun the United States in commerce and manufactures; but these natural disadvantages cannot be offset, but will only be increased by the adoption of the protection fallacy. If, however, Canada desires an experience of her own in this respect, and is not satisfied with ours, let her try the experiment and see how it works."

Hon. Mr. TUPPER—Who wrote it, and what paper is it?

Hon. Mr. CARTWRIGHT—It is the Chicago "Tribune," 21st February, 1876. Does my hon. friend mean to insinuate that I was a party to writing that article? I have no such influence over that influential paper, the Chicago "Tribune." We have had proof enough in the various debates which have preceded this discussion of the great diversity of opinion which prevails with reference to this most important subject. It is natural enough that there should be diversity of opinion; and all I will say on that point is this: The Government have felt it their duty to give their most anxious attention to all manner of

evidence, and to weigh every kind of information which has been laid before them. We do not desire to conceal that the responsibility that rests upon us is most grave. We don't desire to conceal that the result we have arrived at has been attained by anxious, protracted deliberation, as to whether we could at once relieve our manufacturers, and yet do justice to the other portions of the people. But when we are asked, as we are now asked, for radical changes—changes which will affect our whole system and policy, financially, politically, socially and morally—I say we may well pause and hesitate before we reverse what has been after all the uniform policy of all Governments for twenty-five years. Whatever arguments may have been used, it still remains the fact that the Canadian tariff is substantially a revenue tariff; and if we are asked to create a high protective tariff, I must repeat that even if I have been mistaken, in any case the time chosen for these proposed changes is most inopportune. There have been, as we know, violent disturbances in trade and in values, rendering it almost impossible for any man, no matter how experienced or how skilful in commercial matters, to estimate with anything like accuracy the consequences that would flow from any radical changes in the tariff. We are not at all in a normal condition of affairs. We have enormous engagements which will tax all our resources to enable us to fulfil them, and some of which it will be out of our power to fulfil in any shape; and if ever the onus was thrown on gentlemen asking for radical changes of establishing a perfectly clear case in their own favour, I say the onus is now thrown upon those who advocate a high protective tariff. Let them consider for one moment what they ask this Government to do. They ask us to tax nineteen-twentieths of the population for the sake of one-twentieth. I am quite aware there is considerable misunderstanding and misapprehension on this point. I am quite aware that many gentlemen, looking simply at the ordinary statistics furnished by the census returns, believe that the manufacturing interests represent three or four times as large a percentage as I have stated. But if these honourable gentlemen will take the trouble to examine these returns minutely, they will find that of the 200,000 or thereabouts set down as engaged in industrial pursuits, probably 75 per cent. must be taken as not concerned in the protective movement, and that only the number I have named are really to be considered as in any

way interested in that direction. Of our industrial population at least 40,000 are engaged in the lumber trade, and to them a high tariff would be no sort of advantage, but rather a serious impediment, as tending of necessity largely to increase the cost of producing lumber. The industrial class also comprises 10,000 or 12,000 blacksmiths, engaged in serving the agricultural population; and a very large number of carpenters, and innumerable other trades of similar character. Far be it from me, however, to deny justice to a minority. But on the other hand there must be the most imperative necessity demonstrated to exist before we can think of sacrificing the prosperity of nineteen-twentieths of the population for that of such a small minority. And when these gentlemen allege that this is a slaughter market, and that American manufacturers make sacrifices for the sake of selling here, I do not pretend to deny that this aggravates the case of our manufacturers; but I may state that the evidence laid before us does not bear out their assertions, at any rate, to anything like the extent to which they have been made. There is no doubt that immediately the cost of production in America became cheapened there was an increase in the number of articles brought into this country, and that this circumstance, although advantageous to the bulk of our people, did press with severity on a certain portion of our manufacturers. But there is also no doubt that a very considerable number of our manufacturers, embracing three or four of the most important trades, and employing a very large proportion of the number I have mentioned as desiring protection, do not dread American competition at all, but are afraid of British manufacturers. And this is a point which the House would do well to bear in mind—that a good deal of the American competition is not the competition of American with Canadian industries, but American with British manufacturers, the Canadian consumer being benefitted by the operation. Moreover, we must recollect that when, as has been the case recently, there has been a very large reduction in the demand for articles of foreign production, there will naturally be a large reduction in the demand for home manufactures also. When the state of things is such that we find that the importation of articles in the 17½ per cent. list (which contains the bulk of the articles with which our home manufactures come into competition) is reduced in six months to the amount shown by the

Trade and Navigation Returns, we must conclude that it is only natural and inevitable that there should be a considerable reduction in the total demand for the latter also. It must be further borne in mind that were we to impose a high tariff we would have to impose a high tariff all round; and that if we impose a high tariff all round it will assuredly affect, and affect largely, the general cost of production of the very manufactures which are thus protected. This effect has been produced time and again and is actually the case at this moment in the United States, where many of the ablest manufacturers are convinced, from the extent to which the cost of production has increased from this cause, that they would be able to manufacture more cheaply and make more money if they had the tariff reduced to something like an equality with ours. There is no interest in this country which more deserves the favourable consideration of the Government than the lumber interest, and I have not yet received one demand for protection from the able and intelligent representatives of that industry in this House. Whether it is to come or not I do not know; but this much I may observe, that the imposition of a high tariff would certainly affect them very seriously, and that those who are engaged in that great industry have an interest in this matter quite apart from that of the persons who are now demanding an increase in the tariff. It may be well to remind some of my honourable friends that if we were to undertake a general and thorough revision of the tariff we might find it necessary to do a little levelling down as well as a little levelling up. They must recollect that there are several very important articles on which the tariff is at present all but prohibitory, and I must caution them that it might be exceedingly difficult to get the Legislature to avoid the conclusion that there was no reason for exceptional favour being shown to the producers of those articles. Up to the present time our tariff has been substantially a revenue tariff, but it is noteworthy that as our country grows older the tariff, even if unaltered, tends always to become more protective, and that a tariff which a few years ago might have admitted foreign articles freely, may, with the growth of the country, become prohibitory in a short time. Then we have to consider a little the rate of the taxation which the people of this country at present labour under. As compared with that which prevails in other countries, and especially in many other

colonies, the rate in Canada is low enough; but taken *per se*—considering the fact that a population of scarcely four millions are obliged to raise every year \$23,000,000 or \$24,000,000, to defray the expenses of the Dominion Government alone, irrespective of what they must contribute for municipal purposes—we must be very cautious how we increase the burden further. Every family in Canada has to pay from \$25 to \$30 toward meeting the expense incurred in their behalf by this Legislature. That represents something not very far from the value of a month's labour, and that, though it can be borne, is a severe drawback on the productive power of this country. I am cautious enough—conservative enough, if my hon. friend likes—to regard every increase in taxation as a positive evil in itself. If we have to impose additional taxation, it must be for the benefit of the whole country, for the purpose of maintaining the public credit, or carrying on the public works in which we are engaged. This is practically a question of cost and come to, and it is also, to a certain extent, a question of convenience. Theory apart, there are very few of us who would object to a moderately low rate of duty, or would care much to be found opposing a tariff, though in defiance of free trade theories, which would bring a large addition to the population of the country at a very moderate cost to the remainder. On the other hand, there are very few, I think, so enthusiastic that they would be willing to submit to a high rate of duty if it was demonstrated to them that it would make but a small addition to the number of the people. What the country needs at present is more time. It is undoubtedly in a depressed condition, but a condition which, I believe, unless some further disaster overtakes us, will be only temporary. I have pointed out that there were numerous causes for that state of depression, and that they were causes over which the Government had no sort of control. I have pointed out that those causes have largely contributed to bring about the present distress, and I may add that had we been more cautious in the past, had we refrained from anticipating all our resources and throwing valuable reserves away, we might have been in a position to try more experiments in legislation than we can afford to do just now. I say this is no time for experiments. This country requires all the revenue its people can contribute, and it would be a dangerous thing for us to enter upon a policy the issue of which no man can at the present perceive,

Reviewing, therefore, as briefly as I can, the general position of this country, I take it to be somewhat this: I do not believe (although the comparison has been often made) that we are at all in so disastrous a condition as that in which we were in the year 1858, and in the years which immediately succeeded; in my opinion our position is very much less serious. The causes which have brought about the present state of things are clear and well defined; and they are far less likely to be permanent than the causes which led to the depression of 1858—a depression which is no doubt exercising a powerful influence in the minds of the people of this country at this moment. Let us consider what was the state of things at that period. We had, in 1858, just concluded a period of very heavy expenditure on railroads, chiefly supplied from foreign capital, which, as compared with our present resources, would have amounted to an expenditure of two or three hundred millions during the past four or five years. There had also been an increase in the price of staple articles of produce, owing to the Crimean war, so great that in some cases men were able to pay for their farms with the price received for a single year's crop. This led to wide-spread inflation. We do not see these causes at work now. I think we will have, on the whole, but a temporary depression; and it is for that, and that only, that we will have to provide. Let us consider the favourable points. We have at present a condition of things in which we find our exports scarcely diminished, except in one article. We have a full treasury. We are not obliged to go immediately to the English market. Ample funds are provided for carrying on our public works and meeting the public debt as it matures. A large part of our expenses during the past two or three years, as I have pointed out, were of an exceptional character, not likely to occur again. I admit, and always have admitted, that we had considerable inflation from 1871 to 1875, but it is very important that the House should bear in mind that along with, and underlying that inflation, there was a great and general growth throughout this country. There is no doubt that Canada has made very remarkable real progress during the last ten years. No man can look at our great cities, no man can acquaint himself with the condition of the agricultural population, without seeing that what I am saying in that respect is literally true. I depend on the gain of six years' growth to bring us back to the position we occupied in 1871, which I

think may be regarded as a fair normal year.* I have deliberately rejected all abnormal and extraordinary growth, and depend on the natural growth, which even in the worst times, and under the worst circumstances, we have never found fail in Canada. In dealing with this matter the Government have had to consider very carefully not what was to the interest of any one Province or any one class, but what was to the interest of the whole Dominion. In concluding, I may say, sir, I am extremely sorry that I have been obliged to differ in opinion with some friends whom I value highly. I admit that there was considerable force in the arguments they employed; undoubtedly a great deal of distress exists among certain classes, and in certain parts of the country; and I regret exceedingly that the Government have not been able to see their way to relieve this distress, except at the risk of inflicting ultimately very great and permanent injury on the whole population of Canada. Although the hard times affect these poor people, they also are seriously detrimental to the Government, and every administration, no matter what its opinions may be, must be most sincerely anxious—if it knows how—to remove such a state of things, and create general peace, plenty and prosperity. Sir, we have been called upon for a national policy; so far as our policy is concerned it is a policy of justice to the whole Dominion, and of patience and economy until the present evil time be overpast. But I do not propose for the adoption of the people of this country a policy of which it can only be said that it is a servile plagiarism of the worst blunders which the United States have ever committed—blunders of which I verily believe the American people are now repenting; and from which I trust that they will very speedily succeed in extricating themselves. The policy which I have the honour, on behalf of the Administration, to propound for the acceptance of this House and the country, I desire to repeat, has not been arranged hastily or inconsiderately; and if we are wrong in this matter, we have at least neglected no effort, we have spared no pains, and we have taken all possible trouble to convince ourselves that we were right in the course we have decided on. Sir, I have the honour to move that you leave the chair, and that the House do resolve itself into Committee of Supply.

* Vide for a more detailed account of grounds for this opinion remarks quoted in Appendix.

APPENDIX.

I desire now to speak of a subject more practically important, perhaps, than any I have touched upon. It is important, no doubt, to know who are primarily responsible for the present state of things, which is a matter for grave consideration, not unfraught with alarm; but it is of more practical importance to know what grounds I have for saying that we can fairly and honestly, without placing too great burdens upon you, meet the liabilities we have assumed. The question, therefore, is how far the precautions we have taken are likely to be sufficient to meet the emergency, and I am the more desirous of explaining these fully, because I am inclined to think there is a tendency in some quarters to underrate their value and extent. Now, I have never denied the fact, so clamorously insisted on by the Opposition proper, that the taxation we imposed would have produced much more than I estimated it at, provided things had remained as they were in 1873-4. Their estimate, and I am not prepared to gainsay it, was that the new taxes would swell the revenue on that condition to 27 millions, even if no increase took place, and that if trade improved during the next year in the same ratio as it had been doing for some years back we would receive no less than thirty millions or thereabouts. Unhappily, their financial castle, if not in air, was at least built on a very sandy foundation. They were wrong in the all-important point of mistaking an abnormal increase for a steady growth of prosperity, and still more unfortunately they had pledged us to a policy, which would only have been justified had their anticipations (vide Mr. Tilley's budget speech) been fulfilled to the letter. For me, on the other hand, feeling quite as positive that a check must come, and that speedily, it became a question of great delicacy and difficulty how far back I ought to go to find a sound basis for my calculations. This, at the best could only be approximated. No problem is harder in a growing country than to decide authoritatively how much of its progress at any given time is honest, natural growth; how much is due to sudden, temporary causes. And while it was quite clear to me that a very considerable over-importation had taken place, and was taking place, it was equally certain that a very large portion of the increase of the last few years was fair and genuine. Every one knows that Canada had been reduced to a condition of undue depression by the series of disastrous years that succeeded the great crash in 1858, and I saw no reason for supposing that we could not count on a considerable natural growth in the long interval which had elapsed since that period. I therefore selected, in my own mind, a year equally remote from the period of depression which terminated in 1867 and the extreme expansion



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of 1873-4 as likely to afford the fairest average for a series of years, and the year I chose was the ordinary, not the fiscal year 1871. On the years' imports, which are nearly as far removed from the minimum of 1868 as they are from the extreme expansion of 1873, I thought we might reckon in the main with tolerable security, making, of course, a proper allowance for the revenue to be derived from Prince Edward Island and British Columbia. You will perceive, therefore, that we allowed a very large margin against contingencies. Not only have we declined to reckon on the extraordinary increase of 1872 and 1873, but we have taken no account of the natural growth which might perhaps fairly be looked for in the five years from 1871 to 1876, and we have on the other side allowed one or two very large items of the expenditure to remain unreduced for the express purpose of completing a quantity of small works and afterwards cutting down that expenditure to very much smaller limits, as I explained when discussing the whole question of annual expenditure in my budget speech of 1874, in which I pointed out that there were good grounds for expecting a very large reduction on the two very important items of public works chargeable to income and the expenditure for maintenance of the Government railways, provided always that those roads were put in a condition of thorough repair once for all. In short, but for the unfortunate mistake committed in 1873 by our assumption of the Provincial debts, and some other pieces of extravagance of a like character—which, you will do me the justice to remember, I opposed to the very utmost of my power—I would feel very little fear of any considerable defalcation in our income in any event. As it is, that final act of imprudence has certainly deprived us of a most valuable reserve on which we could otherwise have fallen back. Nor is it easy to understand on what principle the late Government were justified even in their own eyes, knowing as they did that a deficit was inevitable, in thus wantonly aggravating the difficulty of meeting our already enormous engagements.