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Canada's External Trade and Net Foreign Balance, 1851–1900

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THE levels of external trade and the balance of international payments are important factors in the development of any new country; they have been of particular significance for Canada. The rate of this country's economic growth has depended heavily upon (1) its ability to exchange its surplus natural products for things it could not produce domestically at competitive prices, (2) the terms of this trade, and (3) the inflow of foreign capital. Canada, with its northern climate, technical difficulties of extraction, and great distances had to make large capital outlays to develop its bountiful natural resources and to create transportation facilities needed to get the products to markets.

The rate of domestic capital accumulation in a new country is slow, and some of the capital must come from abroad if that country's economic potentialities are to be realized to the fullest, and if its progress is to be speeded up. Canada's ability to obtain fairly large amounts of capital abroad—in spite of difficulties—in the second half of the nineteenth century made possible the creation of a national railway network that knit the scattered British North American colonies together and contributed to the formation of a truly national market. Foreign capital also played an important role in building Canada's productive capacity and in keeping its established industries competitive in the changing world markets. The borrowing of capital abroad, however, involved the commitment to pay fixed charges, and this proved to be a problem at times of depression or unsettled world demand or world prices for Canada's natural products.

Generally speaking, rapid development of Canada's export trade over the last half of the nineteenth century was a key factor contributing to the country's economic progress. Had it not been for the development of new products and the expanded production of established commodities for which demand was growing abroad, Canada would not have been financially able to build up her domestic economy.

Hence, in its early period as a nation, Canada met what is one of the classic requirements of a less-developed country trying to speed up its

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economic growth: it created the confidence in its institutions and in its development prospects which was needed to attract capital. By increasing domestic consumption at a slower rate than export trade, Canada continuously improved its ability to pay for more imports. Its balance of payments position during this period was, as a rule, negative, but such differences as did develop between exports of goods and services and imports of goods and services were usually of manageable proportions and were made up by capital inflow. It is true that Canada, like all young countries trying to do a lot in a hurry, did experience some balance of payments difficulties, but by and large these difficulties proved to be surmountable.

As a result of these various factors, Canada's export trade expanded more rapidly than did the domestic economy and imports in the second half of the nineteenth century. The trend was reversed in the first half of the twentieth century, when Canada had become a highly industrialized nation.[1]

Pattern of Commodity Trade

DOMESTIC AND FOREIGN TRADE

Before confederation, the British North American colonies did little trading with one another. Most of their external trade was carried on with Great Britain and the United States. About the only sizable intercolonial trade was that involving the exchange of flour by the Province of Canada (Ontario and Quebec) for coal from the Maritime colonies.

In both 1851 and 1860, the total value of trade carried on between these colonies was only about 6 per cent of their external trade. In preconfederation days each colony had its own set of tariff duties for products entering into intercolonial trade, but the real barrier to a high level of trade between the colonies was the high costs of transportation. Great distances separated the British colonies in North America and, in these pre-railway days, transportation costs were high indeed.

After confederation, trade between the provinces increased materially. Interregional tariffs were abandoned, transportation costs declined substantially with the completion of the linking railways, and a common domestic market for manufactured goods was created by the adoption of the national tariff policy. Accompanying this great increase in internal trade after 1867, external trade also rose sharply and was actually greater in 1870 in relative terms (as a proportion of gross national product) than in either 1851 or 1860 (see Table 1).

[1] In 1955 Canada was sixth among the nations of the world in terms of national income originating in manufacturing. The first five were the United States, the Soviet Union, the United Kingdom, Western Germany, and France.

TABLE 1

Commodity Exports and Imports, the Balance of Commodity Trade, and Gross National Product, Selected Years, 1851-1900

	1851	*1860*	*1870*	*1880*	*1890*	*1900*
			(millions of dollars)			
Exports:[a]						
Domestic produce	[c]	[c]	61	84	89	177
Total exports[b]	18	45	71	97	97	195
Imports for consumption[a]	29	48	89	90	112	178
Total commodity trade	47	93	160	187	209	373
Net balance on commodity trade	−11	−3	−18	+7	−15	+17
Gross national product	169	319	459	581	803	1,057
As percentage of gross national product:			(per cent)			
Total exports	10.7	14.1	15.5	16.7	12.1	18.5
Imports for consumption	17.2	15.0	19.4	15.5	13.9	16.8
Total commodity trade	27.9	29.0	34.9	32.2	26.0	35.3

[a] Not adjusted to the national accounts concept.

[b] Includes both domestic and foreign produce.

[c] No breakdown available for domestic and foreign produce taken separately.

In this and the following tables, the data are for calendar years for 1851 and 1860, fiscal years beginning July 1 for subsequent years. For the sources of the data in this and the following tables, see the Appendix.

Canada's total commodity trade, that is, the value of both exports and imports, was $373 million in 1900, almost eight times the 1851 total.[2] Over the 1851–70 period, the total had jumped from $47 million to $160 million, or 240 per cent. In the next period, 1870–90, a gain of about one-third is indicated despite the depressed conditions and low prices that prevailed in 1890. The upward trend in the economy following the improvement in the latter 1890's is reflected in the four-fifths increase shown in total commodity trade over the 1890–1900 decade.

FOREIGN TRADE AND GROSS NATIONAL PRODUCT

The role of external trade in Canada's economy in the second half of the nineteenth century is illustrated by the data in Table 1. In the six decennial years the value of total commodity trade was between 28 per cent (in 1851) and 35 per cent (in 1900) of gross national product. The trend towards the increased importance of foreign trade is evident also, as in each of these census years except 1880 and 1890 the proportion of commodity trade to gross national product was higher than in the preceding decennial year.

Over the 1851–1900 period Canada's exports of goods increased from

[2] Estimates for *all* Canada are used throughout the text wherever comparison with other years is made.

$18 million to $195 million, while commodity imports rose from $29 million to $178 million. The 1900 exports were almost eleven times those of 1851 while the 1900 gross national product was only six and one-fourth times that of 1851. As a result, exports of goods as a proportion of gross national product rose from 11 per cent at the beginning of the period to 18 per cent at the end. Imports of goods in 1900 barely six times those of 1851, only held their own in relation to gross national product; they were equivalent to about 17 per cent of the national output in both years.

COMMODITY EXPORTS AND IMPORTS

In four of the six census years between 1851 and 1900, Canada's imports of goods exceeded its exports, thus resulting in a net deficit on commodity trading account. This deficit varied between $3 million in 1860 and $18 million in 1870; it was $11 million in 1851 and $15 million in 1890 (Table 1). As a proportion of total commodity trade, it ranged from about $3\frac{1}{4}$ per cent in 1860 to about 23 per cent in 1851. The surplus on the exchange of commodities was $7 million in 1880 and $17 million in 1900, equivalent to about 4 per cent of total commodity trade in the earlier year and about 5 per cent in the latter.

TERMS OF TRADE

The terms of trade, that is, the ratio of export prices to import prices, moved sharply in Canada's favor over the period, particularly after 1878. The prices of manufactured imports fell materially and fairly steadily over this half-century, while the prices of Canada's exports, mostly foodstuffs and raw materials, increased moderately. Thus, between 1870 and 1900 the price index of Canada's imports fell by 26 per cent, while that of its exports rose by 11 per cent. Consequently, the terms of trade improved from 61 per cent in 1870 to 92 per cent in 1900, so that $1 worth of exports in 1900 paid for half again as much imports as in the earlier year. This notable improvement and the bettering of Canada's competitive position in European markets as a result of the persistent decline in ocean-shipping rates during this period mitigated to an important extent the effects of the prolonged depression of the 1870's to the 1890's on the young country's economy.

The largest percentage gains in both the exports and imports of goods are shown for the first subperiod, with exports quadrupling and imports tripling between 1851 and 1870. The increases achieved in the next subperiod, 1870–90, were much more modest, with exports rising by about 37 per cent and the 1890 imports being about 25 per cent higher than those of 1870. Substantial increases are shown in both exports and imports in the third subperiod, 1890–1900, exports doubling and imports rising by about three-fifths.

Composition of the Commodity Export and Import Trade

EXPORT TRADE

The substantial changes in the type of product that Canada exported during the second half of the nineteenth century are apparent in Table 2. The most striking developments were the sharp decline in the relative importance of forest products and the strong gains in the importance of

TABLE 2

Commodity Exports and Imports, by Group, Selected Years, 1851–1900 (dollar figures in millions)

	1851[a]		*1860*[a]		*1870*[a]		*1890*		*1900*	
	($)	(%)	($)	(%)	($)	(%)	($)	(%)	($)	(%)
Exports										
Agricultural and vegetable products	4	26.7	16	40.0	10	18.5	14	16.7	26	14.7
Animals and animal products	2	13.3	8	20.0	16	29.6	36	42.8	68	39.3
Fibres and textiles	b		b		1	1.9	1	1.2	2	1.1
Wood, wood products, and paper	9	60.0	14	35.0	23	42.6	25	29.8	33	18.9
Iron and iron products	b		b		1	1.9	1	1.2	4	2.2
Nonferrous metals	b		1	2.5	1	1.8	2	2.4	33	19.2
Nonmetallic minerals	b		1	2.5	2	3.7	4	4.8	7	4.2
Chemicals	b		b		b		1	1.1	1	0.4
Total, eight groups	15	100.0	40	100.0	54	100.0	84	100.0	174	100.0
Miscellaneous	2		2		13		5		3	
Total commodity exports	17		42		67		89		177	
Imports										
Agricultural and vegetable products	6	25.0	14	34.1	22	35.5	24	23.3	38	23.5
Animals and animal products	5	20.8	4	9.8	6	9.7	8	7.8	14	8.6
Fibres and textiles	7	29.1	14	34.1	17	27.4	29	28.2	38	23.5
Wood, wood products, and paper	1	4.2	1	2.4	b		5	4.9	8	4.9
Iron and iron products	4	16.7	5	12.3	10	16.1	15	14.6	30	18.5
Nonferrous metals	b		b		1	1.6	4	3.8	7	4.3
Nonmetallic minerals	1	4.2	2	4.9	4	6.5	14	13.6	21	13.0
Chemicals	b		1	2.4	2	3.2	4	3.8	6	3.7
Total, eight groups	24	100.0	41	100.0	62	100.0	103	100.0	162	100.0
Miscellaneous	3		4		22		9		16	
Total commodity imports	27		45		84		112		178	

[a] Figures cover four provinces only.
[b] Less than $500,000.

animal products and nonferrous metals. The decline in square timber exports to Great Britain after the Crimean War and the slow growth of lumber exports account for the decreased role of wood and wood products in the export trade. The rising standard of living in Great Britain did, however, provide an important and a fast-growing market for Canadian cheese and bacon, particularly during the latter part of the period, while the development of the Klondike and the proving up of other gold deposits were largely responsible for the greater role of the nonferrous metals group in the 1900 exports.

These and other important trends in the Canadian export trade are reflected in the variations in the percentage distribution of the nine major groups of products (see Table 2). In 1851 the wood, wood products, and paper group (mostly square timber) accounted for three-fifths of the value of all exports, the highest proportion indicated for any one group during the period. Agricultural and vegetable products (mostly flour and grains), excluding animals and animal products, ranked second in relative importance, comprising 27 per cent of the total, and exports of items in the animals and animal products group comprised almost all the remainder.

The picture was quite different in 1900. Animals and animal products comprised the most important group, valued at $68 million or thirty-four times the 1851 figure of $2 million, and accounting for 39 per cent of the export total as compared with 13 per cent in 1851. The non-ferrous metals group (of which gold quartz and dust made up almost three-quarters) ranked second at some 19 per cent of the total. The wood, wood products, and paper group, although more than triple its 1851 value, came third at just under 19 per cent of the 1900 exports. Agricultural (other than animals and animal products) and vegetable products ranked fourth, at 15 per cent. The importance which agriculture had assumed at the end of the nineteenth century as Canada's major export industry is apparent when all agricultural products exported are totaled, representing over one-half (54 per cent) of all of Canada's exports.

The decennial data on exports by major commodity groups reflect to a considerable extent the ups and downs experienced by various sectors of Canadian industry and the success or lack of success which the different kinds of industry achieved in coping with changing conditions in the markets of the world. Particularly noteworthy is the effort made by Canada's farmers to obtain and hold a substantial share of the export trade in the face of shifts in the pattern of demand, which necessitated switching markets from Great Britain to the United States and then back to Great Britain, as political and economic conditions changed. The steady decline in the relative importance of the agricultural and vegetable group of products from its peak of 40 per cent of the 1860 exports successively to 19, 17, and 15 per cent of the 1870, 1890, and 1900 totals was due largely to the failure of foreign sales of wheat and flour to keep pace with the expansion in the general export trade. This decline was, however, largely compensated for by the significant increases in exports of the animals and animal products group, as shown above. As a result, these two farm products groups taken together increased their share of the total from 40 per cent in 1851 to 54 per cent in 1900 (after reaching 60 per cent in both 1860 and 1890).

The long-term decline in the relative importance of the wood, wood products, and paper group in total exports was due to the inability of Canadian exporters to find sufficient markets for sawn lumber to replace losses in the timber exports to Great Britain. After 1857 Great Britain turned more and more to the Baltic countries for timber and lumber, and compensating markets could not be built up in the United States because this was the period when extensive American lakes-states forests came into production.

The data in Table 2 indicate that Canada's export trade had a considerably broader base in 1900 than in 1851 or in any of the other years shown. The growing diversification of the Canadian economy is reflected in the exports of iron products, nonferrous metals, nonmetallic minerals, and chemicals. In 1900 these four groups of exports were valued at $45 million and they accounted for over one-quarter of the total exports; in 1851 their combined total amounted to only about $700,000 and their share of the total was less than 3 per cent. Among these newer exports were such fully manufactured products as machinery, agricultural implements, drugs, clothing, and furniture, in notable contrast to the few simple types of manufactures, almost entirely processed foodstuffs, sold abroad one-half century earlier.

During the second half of the nineteenth century, the only way Canada could expand its export trade was to adjust its domestic economy continuously to cope with changes in foreign market conditions. These adjustments, in turn, involved shifts of the labor force from one occupation to another and interprovincial migration, changes which were not achieved without difficulties and a great many human problems, particularly in the great depression of the 1870's to 1890's.

"The changes in the composition of exports reveal some of the internal shifts in occupations that took place under the downward pressure. Lumber declined in relative importance while agriculture continued to expand. But here there was a shift from grains, which met the rising American tariffs and stiffer competition from the American West, to livestock and dairy products which, with cheaper transportation, found larger markets in Great Britain. Increasing exports of fish reflected the development of the salmon fishery in British Columbia and the lobster fishery in the Maritimes. Particularly after 1886, they also reflected the pressure of people crowding into the industry as a means of livelihood owing to the virtual disappearance of shipbuilding and shipping."[3]

IMPORT TRADE

The kinds of commodities which Canada imported in the second half of the nineteenth century did not change as significantly as the kinds exported. Throughout the period Canada was heavily dependent on imports of manufactured consumer and capital goods, though to a less extent toward the close of the century as Canadian manufacturing industries gradually became more diversified and their output increased.

Some of the more important changes in the import pattern are illustrated in Table 2, above. Until after 1870 the problems of geography and transportation, as well as the operation of the Reciprocity Treaty, combined in their effects to maintain imports of the agricultural and vegetable products group at relatively high levels. In the 1870–90 period this group accounted for between 25 and 35 per cent of total imports and included large quantities of processed foodstuffs as well as products in their natural form. The improvement and extension of transportation and communication facilities gave rise to substantial increases in domestic grain production after 1870, and as a result the relative importance of this group started to decline, falling to about 23 per cent of total imports in 1890 and 1900. A more rapid decline was partially offset by a sizable increase in the import of items in this group, such as fresh fruit, nuts, spices, sugar, and tobacco, which were necessary to a rising standard of living.

The imports of animals and animal products in 1851 were nearly 21 per cent of the total import trade for that year, in contrast to 8 to 10 per cent in later years. The decline partly reflected the efforts toward improving animal husbandry in Canada. Also, improved transportation facilities in Canada reduced the need to turn to U.S. sources which were nearer at hand.

Canada's dependence on manufactured consumer goods in this period is perhaps best indicated by the relative importance of the fibres and textiles group, which chiefly comprised articles of clothing. Commodity imports of this group doubled in value between 1851 and 1860 and rose from 29 to 34 per cent of total imports. After 1860, the peak year, this group of imports declined to 23 per cent of total imports in 1900 but nearly tripled in value, rising from $14 to $38 million. The growth of a domestic textile industry was partly responsible for the relative decline of clothing imports.

The wood products group, which comprised mainly specialty items and printed matter, remained relatively unchanged during this period,

[3] *Report of the Royal Commission on Dominion-Provincial Relations, Book I, Canada: 1867–1939*, Ottawa, King's Printer, 1940, p. 53.

while the iron products group, with some fluctuations, rose slightly from about 16 to 18 per cent of total imports. In value terms, however, this rise from $4 million to $30 million was more striking, increasing by six and one-half times in the last half of the century, which reflected the increasing importance Canada was attaching to the imports of capital equipment and parts for assembly in Canadian plants.

Notable increases in the imports of items in the nonmetallic minerals and the chemicals groups partly reflect increased industrial activity. The greater importance of nonmetallic minerals was due mainly to larger imports of coal, which replaced wood for domestic heating, and to the rising energy demands of domestic industries.

DIRECTION OF TRADE

The changes in the composition of Canada's export trade described above came about partly in response to changes in the direction of Canada's external trade because the needs of Canada's two alternating best customers, Great Britain and the United States, were quite different in many respects.

Under the British colonial system in operation before the late 1840's, the preferences extended by the Corn Laws and similar laws and the restrictions imposed upon colonial trade by the Navigation Acts tied Canada's economy (and trade) very closely with that of the mother country. The pattern of Canada supplying Great Britain with natural products (wheat, flour, lumber, fish, etc.) in exchange for highly manufactured products became so firmly established under this system that, even by 1851, Canada was obtaining about three-fifths of its imports from and shipping a similar proportion of exports to Great Britain (see Table 3). The pattern of trade in 1851 shows Great Britain absorbing 59 per cent of Canada's exports, the United States 35 per cent, and other countries the remaining 6 per cent. Pretty much the same pattern is shown for that year's imports, with Great Britain supplying 59 per cent of Canada's needs, the United States 37 per cent and the other countries 4 per cent.

The direction of trade a decade later was significantly different. The Reciprocity Treaty between the British North American colonies and the United States was in full force and United States was both Canada's major supplier and its best customer, providing 51 per cent of its imports and taking 57 per cent of its exports. Trade with Great Britain was still substantial, however, supplying 44 per cent of Canada's imports and absorbing 38 per cent of its exports.

The abrogation of the Reciprocity Treaty by the United States in 1866 resulted in another reorientation of Canada's trade. Thus, in 1870, Great Britain once more was Canada's main trading partner, furnishing 57 per cent of Canadian imports and a market for 43 per cent of its

TABLE 3

Commodity Trade with the United Kingdom, the United States and Other Foreign Countries, Selected Years, 1851-1900

	1851[a]	*1860*[a]	*1870*[a]	*1880*	*1890*	*1900*
			(millions of dollars)			
Imports for consumption from:						
United Kingdom	16	20	48	43	42	43
United States	10	23	27	36	52	107
Other foreign countries	1	2	9	11	18	28
All countries	27	45	84	90	112	178
Exports of domestic produce to:						
United Kingdom	b	b	22	43	43	93
United States	b	b	29	34	38	68
Other foreign countries	b	b	7	7	8	16
All countries	b	b	58	84	89	177
Exports of domestic and foreign produce to:						
United Kingdom	10	16	29	53	49	105
United States	6	24	30	36	40	71
Other foreign countries	1	2	8	8	8	19
All countries	17	42	67	97	97	195
			(per cent)			
Imports for consumption from:						
United Kingdom	59.3	44.4	57.1	47.8	37.5	24.2
United States	37.0	51.1	32.2	40.0	46.4	60.1
Other foreign countries	3.7	4.5	10.7	12.2	16.1	15.7
All countries	100.0	100.0	100.0	100.0	100.0	100.0
Exports of domestic product to:						
United Kingdom			37.9	51.2	48.3	52.6
United States			50.0	40.5	42.7	38.4
Other foreign countries			12.1	8.3	9.0	9.0
All countries			100.0	100.0	100.0	100.0
Exports of domestic and foreign produce to:						
United Kingdom	58.8	38.1	43.3	54.6	50.5	53.9
United States	35.3	57.1	44.8	37.1	41.2	36.4
Other foreign countries	5.9	4.8	11.9	8.3	8.3	9.7
All countries	100.0	100.0	100.0	100.0	100.0	100.0

[a] Figures cover four provinces only.
[b] No breakdown available for domestic and foreign produce taken separately.

exports. Canada's exports to the United States were better maintained than its imports in that year, the United States absorbing 45 per cent of Canada's sales abroad but supplying only 32 per cent of its imports.

The effects of the increase in foreign trade in this period were widespread.

> "Larger markets for lumber benefited New Brunswick and the Ottawa Valley. Nova Scotia greatly increased its exports of fish and recovered its markets for coal in the United States. Shipbuilding in the Maritimes approached, in 1874, the high peak attained during the Civil War. Agriculture, the most important industry in Ontario and Quebec, nearly doubled its exports in this period."[4]

After 1870 this trend was again reversed, with Great Britain's share of the Canadian market declining successively to 48 per cent in 1880, 38 per cent in 1890, and 24 per cent in 1900, while the United States supplied a steadily increasing proportion of Canada's imports—40 per cent in 1880, 46 per cent in 1890 and 60 per cent in 1900. Among the reasons for this change were some factors that still operate to make Canada the United States' best customer and the United States Canada's best customer: the proximity of the two countries, the ability of each to supply the type of product the other needs, the similarity of tastes and styles, and so forth. Another factor was the establishment of American branch plants in Canada, which made the United States the main source of supply for their needs both of capital goods and production materials. Although much of the foreign capital invested in Canada during the second half of the nineteenth century was British, it had much less effect in this regard because British capital was concentrated in railway and government bonds whereas, even in this early period, Americans were showing their preference for the direct type of foreign investment, that is, in branch plants and subsidiary companies.

While Canada's external trade throughout the entire second half of the nineteenth century was largely confined to Great Britain and the United States, a long-range trend towards trading with other countries is discernible. The increasing diversity of Canada's surplus products afforded opportunities to sell to other foreign markets, while the industrialization of Continental Europe, notably Germany, provided markets where Canada could obtain some needed manufactured goods. Thus, Canada's sales to countries other than Great Britain and the United States rose steadily, reaching $19 million in 1900 compared with $1 million in 1851, and their proportion of total exports increased from 6 to 10 per cent. A substantial increase in purchases from other countries is indicated for each decennial year in the period, with imports

[4] *Report of the Royal Commission on Dominion-Provincial Relations, Book I, Canada: 1867-1939*, Ottawa, King's Printer, 1940, p. 47.

rising from $1 million to $28 million and the share of these purchases in Canada's total import trade quadrupling, from 4 to 16 per cent. One factor that contributed to enlarging Canada's trade distribution pattern in this period was the great advances made in ocean shipping facilities—faster and more reliable steamship services, the introduction of refrigerated ships on many runs, greatly improved cargo-handling facilities, and so forth—particularly after 1870.

Exchange of Service and Net Foreign Balance

SERVICES

The limited data available suggest that Canada's trade in services was not an important factor in the country's balance of payments in pre-confederation days. It became somewhat more important after 1867, with its importance increasing as the Canadian economy became more industrialized and the living standards of Canadians improved.

As may be seen from Tables 4 and 5, Canada incurred deficits on the exchange of services in 1870, 1890, and 1900, the unfavorable balance on this score ranging from $8 million in 1870 to $27 million in 1900. However, the amounts involved and the deficit incurred are relatively small in relation to Canada's total trade, as the exchange of commodities comprised the bulk of the total trade in goods and services in this period (88 per cent in 1870, 77 per cent in 1890, and 83 per cent in 1900).

Between 1870 and 1900 the imports and exports of services grew very rapidly, imports rising to three and one-half times their 1870 level, and exports to three and three-quarters times the 1870 figure. Both imports and exports of services increased more rapidly than imports and exports of commodities during this period, the imports of goods not quite doubling while the 1900 exports were only about two and one-half times their 1870 level.

The increase in the services sector was in the case of imports mainly in interest and dividend payments made abroad (which grew from $5 million in 1870 to $36 million in 1900), while the gain in the exports of services resulted largely from increases in freight and shipping receipts and in larger tourist and travel expenditures in Canada.

NET FOREIGN BALANCE

In the three years 1870, 1890, and 1900 Canada incurred deficits on the exchange of both goods and services (Table 5). In 1870 the unfavorable balances were $27 million on commodities and $8 million on services, making a total adverse balance of $35 million. The 1890 deficit was somewhat larger, $56 million, of which goods accounted for $20 million and services for the other $36 million. In 1900 the adverse balance on goods was $4 million and the deficit on services was $27

TABLE 4
Exports and Imports of Services, 1870, 1890, and 1900
(millions of dollars)

	1870	*1890*	*1900*
Exports			
Freight and shipping	5	5	17
Tourist and travel	2	5	7
Interest and dividends	1	2	4
Other current receipts	[a]	2	3
Total	8	14	31
Imports			
Freight and shipping	8	8	11
Tourist and travel	2	4	6
Interest and dividends	5	32	36
Other current payments	1	6	5
Total	16	50	58
Net balance on service account	−8	−36	−27

[a] Less than $500,000.

TABLE 5
Exports and Imports of Goods and Services Adjusted to the National Accounts Concept and the Net Foreign Balance, 1870, 1890, and 1900
(millions of dollars)

	1870	*1890*	*1900*
Exports			
Commodities	71	96	185
Services	8	14	31
Total	79	110	216
Imports			
Commodities	98	116	189
Services	16	50	58
Total	114	166	247
Net foreign balance	−35	−56	−31

million, resulting in a total deficit of $31 million. The unfavorable net balance of payments in 1900 was far less serious than in 1870 in relation to either total trade or the value of the national output. In 1900, it was equivalent to some 7 per cent of the total trade and 3 per cent of gross national product, an appreciable improvement over 1870, when it was 18 per cent and 8 per cent, respectively. In any case, during the 1870–1900 period, Canada was a consistent net importer of capital which filled the gap between current receipts and payments.

APPENDIX

Notes on Sources and Methods of Estimation

The sources and methods used to obtain the estimates for 1851 and 1860 are given in the notes that follow. Unless otherwise indicated, data for the years after 1860 are from my previous study.[5]

The basic trade data for 1851 and 1860 are from the appropriate trade and navigation returns of the individual provinces. The figures shown have been adjusted to exclude interprovincial trade and have been converted to a calendar-year basis. The gross national product estimates are from my other paper in this volume.

Estimates for 1851 and 1860 in Tables 2 and 3 are special computations based on the appropriate provincial trade and navigation reports. As in Table 1, the figures exclude interprovincial trade and pertain to the calendar year.

The estimates of payments and receipts for the items interest and dividends, tourist and travel, and other for 1870 and 1890 were prepared by Penelope Hartland for her paper in this volume. Freight and shipping payments and receipts for these two years were estimated by the methods employed by Jacob Viner and F. A. Knox for later years.[6] The 1870 and 1890 commodities export and import figures have been adjusted to the national accounts concept by excluding settlers' effects and monetary gold.

All the 1900 data shown in Tables 4 and 5 are from Viner, except the freight and shipping receipts and payments, which have been corrected for arithmetic errors in their calculation. These revised figures were prepared by Miss Hartland (see footnote to Table 3 in her paper).[7] The other service items differ somewhat from hers because of other revisions she has made. Her revisions increased the total current credits for 1900 by $1 million and the aggregate current debits for that year by $6 million—yielding a total deficit on the exchange of services of $32 million instead of the $27 million shown in Tables 4 and 5.

The increase in Miss Hartland's estimates of Canada's earnings abroad in 1900 stems from raising interest and dividends receipts from $4 million to $5 million. Her increase in the estimates of current liabilities results from revising upward interest and dividends paid abroad from $36 million to $44 million, though she lowered the tourist and travel expenditure abroad item from $6 million to $5 million, and of other current payments from $5 million to $4 million.

[5] O. J. Firestone, *Canada's Economic Development, 1867–1953*, London, Bowes and Bowes, 1958, notes to tables in Chapter 7.

[6] Jacob Viner, *Canada's Balance of International Indebtedness, 1900–1913*, Harvard University Press, 1924, and F. A. Knox, *Dominion Monetary Policy, 1929–1934, A Study Prepared for the Royal Commission on Dominion-Provincial Relations*, Ottawa, 1939.

[7] Penelope Hartland, "Canadian Balance of Payments since 1868," in this volume.

Since it is based on Viner's commodity exports and imports figures, the Hartland estimate of Canada's total net deficit on current account in 1900 is higher by the difference ($5 million) in the service estimates, $36 million compared with the $31 million shown in Table 5 of this paper.

The estimates in Tables 4 and 5 were obtained by following national accounting practices except that actual gold exports, included in the commodities exports totals, were used instead of the national accounting "gold production available for export." That item includes gold from current production going into domestic monetary reserves as well as the exports. In the 1870–1900 period Canada did not have gold refining or minting facilities and exports are believed to have corresponded closely with production.