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THE SITUATION.

Mr. Sifton, by stating, in a by-path of Ontario, that protection is a dead issue, has raised once more the question of tariff policy. In Manitoba, a cloud of witnesses arises to prove that the issue is not only still alive but able to make its voice heard. They refuse to listen to the advice to cease to theorize, and let practical people, as the gyrating units wish to be known, with other theories, make money out of the tariff. In all such cases it is easier to raise questions than to settle them. The National Policy owed its very name, with a slight alteration, to its mother, Henry Clay's American system, which, in turn, proved its right to its chosen nomenclature, by the foreign origin of the protection which it expressed, and by the other fact, that at the time of the baptism, it had never been tried in America. But the author of the American system lived to admit that the time had come when it ought to disappear as soon as possible; and he proposed, in Congress, that the protective duties should be abolished, in ten per cent. portions, till nothing but a tariff for revenue was left. Then the legislator found that the child of which he was the father had become stronger than he. The present Government of Canada came into power on the wave of a revenue tariff policy, but protection has proved too strong for them, as it did for the father of the American system. Mr. Sifton and his colleagues are not responsible for the birth of Canadian protection; their policy, in opposition, was a revenue tariff. Has that goal been reached? If not, how has protection become a dead issue? If protection be incident to revenue, can the parasite grow to greater dimensions than the trunk to which it is attached?

It ought to be some consolation to those who will be called upon to feel the weight of the new Ontario taxes that the fact that they must be direct will prevent their increase, to any considerable amount, in future. Nothing like the state of things, can ever occur here, which exists in the State of New York, where corporations pay in taxes $17,500,000 a year, or in Massachusetts where taxes, similar to those proposed for Ontario, produce $7,500,000 a year. The companies cannot pay these without drawing them from the public. In Ontario, the theory is that the companies taxed shall pay the amonnts themselves and not collect them from the public. If such re-collection were intended and were practised the taxes would, by that fact, become unconstitutional. The question may arise whether it would be legal for a company to re-collect from its clients the tax which it advances, and which, if indirect, as it would become [in this case, a company would have legal power to do what the province has no power to authorize it to do. Such a question, or nearly such a question, arose over the United States Stamp Act recently, but its decision there would not help us to a conclusion here, where the constitutional powers to be construed are different. In one sense, the public that deals with the companies pays everything, but what the constitution requires is that these taxes shall not be shifted to the public, but be paid by the companies on which they are levied. The assumption of the Privy Council is that they cannot be shifted, when they are small in amount. That none of the new taxes should ever be shifted is not probable; and herein lies the possibility of complications, the outcome of which cannot well be foreseen.

In one respect, some of the new taxes verge on dangerous ground. For instance, in adjusting the amount payable to the capital of the banks, the assumption seems to be that the Ontario Legislature can take into account the whole capital of these corporations. Now, as only part of their capital is employed in the province, the question is pertinent whether the Legislature has power to tax capital which is employed outside of Ontario? As long ago as the days of the Bank of the United States, the Supreme Court of the Republic decided that a State could not tax any corporation which owed its creation to Congress. Taken in its full extent, it is clear that that decision is no guide for us, but at least it is near enough to our circumstances to suggest whether a Canadian province can tax capital not employed therein. Before it finally passes, it might be well to consider whether, to prevent accidents, the bill should not be altered in this respect.

The feeling, which is widely extended, that no man concerned in the sale of liquor need be protected from any possible excess of taxation, takes no account of the economical fact that a breaking point is reachable somewhere, or of the constitutional consequences of excess. If, as a consequence of the tax, the liquor dealers were to double the price of the glass of beer and of whiskey, or of either, the Privy Council would be pretty certain to decide that the tax had, in its operation, become indirect and therefore beyond the power of the Provincial Legislature to enact. Economically, there is a point at which, if the tax went so high, this result would be reached. Even the liquor trade cannot, on this account, be subjected to unlimited taxes, by the Provincial Legislatures.

At a public meeting, held at Regina, resolutions were passed advocating "the direction and ultimate ownership and control by the Government of the transportation interests of the country." What transportation interests may mean is not very clear, but the vague description would seem to embrace railways and navigation. Government ownership is not without its difficulties. If the Government owned the railways, these Regina resolvers would almost certainly want them to carry merchandise on impossible terms, as we see down below, where the Intercolonial runs. A very good man was put in control there, and such a hubbub was made that he had to be displaced. We cannot tell what is in the future, but at present Government ownership and control of railways, generally, not on the cards. What is wanted is, if possible, the