

"protection," it should be given to understand why, for what period, and for what ultimate purpose: "revenue" must be collected more largely from luxuries and from those best able to bear the tax: "production" must not be handicapped directly or indirectly by avoidable costs.

### **National Development and the Tariff.**

To frame a customs tariff for Canada which will bear with some degree of fairness upon widely separated provinces, having conflicting industrial interests, is a matter of great difficulty. Under such conditions, foreign markets naturally compete both for what we have to sell and for what we buy. The cost of transportation from home producing points may completely offset the effects of a tariff otherwise adequate for "protective" purposes. An increase of duties which would protect the home producer against such competition, if taken advantage of in fixing prices at nearby points, would bear heavily and unfairly upon nearby consumers. While the effect of freight rates cannot be overlooked in framing a tariff for protection, it cannot be a sound policy to base duties upon costs of transportation rather than upon costs of production. In such cases, to penalize production by the operation of a high protective tariff may retard, if it does not seriously imperil, the development of the districts affected. An alternative should be found for a high tariff if these markets are to be retained for Canadian producers; and the needs of exceptional cases should be met without creating new maladjustments at other points. Revenues collected by a tariff designed for "protection" should be available for direct, as well as for indirect, measures undertaken to ensure the success of such a policy. This principle has already found expression in the payment of bounties to the producers of lead and steel; no change of principle would be involved in the payment to railway companies annually by the state of a sum sufficient to secure special freight rates to certain districts, or provinces, under terms and conditions approved by the Dominion Railway Commission. The cost of carrying such a measure into effect should fall upon the "protective" revenues collected by the customs department. The nationalization of our railways would afford an opportunity to make transportation facilities serve such national ends. If, however, the interlocking of American railway freight rates renders this course impracticable other measures should be devised to overcome the difficulties referred to. A wider distribution of manufacturing in-