

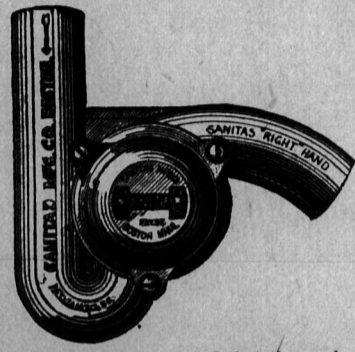
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WITHIN THE EMPIRE;
AN ESSAY ON
Imperial Federation.

BY
Thomas Macfarlane, F. R. S. C.

CHAPTER VII.

Fair Protection vs. Foul Trade.

In discussing the Hofmeyr scheme, and the defence of British commercial interests which it would indirectly occasion, it becomes necessary to consider how the proposal, which has been explained in the preceding chapters, would effect the different parts of the Empire.

If the Hofmeyr principle were adopted for raising an Imperial revenue, by far the greater part of the cost of the naval defence of the Empire, and of the institutions common to all its peoples, would still have to be provided by Great Britain and Ireland, for their foreign imports amount to about ninety per cent of those of the whole Empire. But instead of their share being raised from the income and other direct taxes, it would be levied on goods from foreign countries. At present, as is well known, customs duties are levied principally on tobacco, snuff, wines, spirits, tea, coffee, chicory, cocoa, currants, figs and raisins. On what principle other articles escape duty has never been very intelligibly explained. Why raw materials should be duty free one may comprehend, but the argument in favour of this does not apply to foreign manufactured goods. It has been ascertained that foreign silk, cotton, chemical and glass manufactures; woollens, carpets and rugs; clocks, watches, gloves, hats and bonnets; copper, iron, steel, lead and zinc manufactures; machinery, leather, paper, sugar, oils, oilcakes, etc., etc., to the value of eighty millions of pounds sterling are annually imported into the United Kingdom. A duty of five per cent on this would produce four millions annually, an amount almost as much as is raised from the duty on tea. It is hard to adduce reasons in favour of taxing tea which would not apply equally well to silks, watches, paper, sugar and musical instruments. It can certainly be shown that England would suffer no disadvantage from having customs duties levied on these, in place of having a corresponding amount of revenue raised by duties on imports from British Colonies or by direct taxation. The proposed duty of five per cent, might be stigmatised as an attempt to raise the prices of grain for the benefit of the English farmer. That it would have this effect is very doubtful. The food supplying capabilities of Canada, India and Australia are so enormous that the only effect of the duty would be to give to the foodstuffs of British Possessions a preference over those of Russia and the United States, without raising their prices. But even assuming that the prices of wheat and flour would be increased by half the amount of the duty, that only means the addition of 10d per cent. to the price of a quarter of wheat at 36s., which could not materially affect the price of bread. It might, perhaps, in some quarters be characterised as foolish to tax the raw materials of England's manufactures such as raw cotton, iron ores, tallow, oils and iron pyrites. But cotton would come untaxed from India and Egypt; oils and tallow from many of our Colonies and possessions and as for iron pyrites, which used to be the foundation of all chemical manufactures, it is no longer of importance. Half of our soda is now made by means of ammonia, and the other half will soon be produced from recovered sulphur.

Raw cotton and iron ore have been instanced more especially as raw materials whose prices would be increased by this duty to such an extent as materially to affect, in foreign markets, the price of goods manufactured from them. It is assumed that the whole of the duty on American and Egyptian cotton would be paid by the importing country. This is scarcely warranted, in the face of the statement made by J. Stuart Mill (in his Principles of Political Economy, page 405):—"It may be laid down as a principle that a tax on imported commodities almost always falls in part on the foreign consumers of the commodities exchanged for them, and that this is a mode in which a nation may appropriate to itself, at the expense of foreigners, a larger share than would otherwise belong to it of the increase in the general productive-

ness of the labour and capital of the world which results from the inter-change of commodities among nations." But even granting that the importing country pays the whole of the five per cent duty, the cost of foreign raw cotton would be increased from say 6d. to 6½d. per lb. Indian and Colonial cotton would of course remain unaffected. Suppose that the last named qualities could be used for the manufacture of cotton cloth to the extent of 50 per cent., and that four yards of the cloth could be produced from 1 lb. cotton, it follows that the price per yard would be increased by 0-033d. or, roughly, ¼ of a farthing, an amount too infinitesimal to have any effect on its sale in foreign countries. Similarly with iron; it is only a small proportion of foreign ore that is used in British blast furnaces, and the value of the iron or steel produced lies mainly in the labour and fuel consumed in its production, so that the increase in cost would be very trifling. Even if it is granted, for the sake of argument, that the cost of the products of some British factories would, as in the case of cotton cloths above mentioned, be increased one per cent, it is to be remembered that this loss would be more than balanced by gains in other directions. A 5 per cent. duty on foreign imports into Great Britain would yield over fourteen million pounds, and direct taxation could be decreased to that extent. It would easily be possible for the English Government to relieve in the first place, and to an adequate degree, those industries that were found to have suffered from the Imperial revenue duty. It has been calculated that the burden of direct taxation resting upon English factories amounts to twelve and a half per cent. on the value of their products, so that, if they were relieved to the extent of five per cent., they would still be sufficiently taxed to satisfy the more moderate members of the Cobden Club. There are other means which might be employed to compensate the manufacturers of the United Kingdom in the event of their really suffering, but it is unnecessary to mention them. The substitution of a uniform import duty in place of the usual direct exactions could only produce the most beneficial results. Of course, as Mr. Hofmeyr suggests, the Imperial tariff "might be arranged so that one class of goods should pay more than another," and there is nothing to prevent exceptions being made in favour of certain raw materials and allowing them to come in from foreign sources duty free; but these exceptions ought to be made with the greatest care, and not until actual experience had demonstrated their necessity.

Over against the disadvantages of this five per cent. duty to the United Kingdom, if there really should be any such, must be placed the preference which her products would obtain in her Colonies, India and other British possessions. This is no slight consideration in view of the increase in the duties levied by foreign countries on English manufactures. This, and the consequent loss of her foreign markets is one of the causes of those frequent trade depressions from which England suffers. Such a preference would also be of importance in view of the competition which English goods have to face even in British markets, from the bounty-fed and tariff-protected factories of foreign states. England does not grumble, far less threaten, when prohibitory duties close port after port against her, and the few ports still remaining open to her are mostly in her own possessions. But even in these the foreigner is most unjustly placed on an even footing with her. This injustice would be removed to a slight extent by levying the five per cent. duty on non-British goods, and foreign nations would have to pay a little for access to British markets, although far less than they charge for admission to their own. This slight discrimination would turn the scale in favour of English trade and an improvement in it would at once be apparent. The demand for British goods and manufactures would at once be increased in Indian and Colonial markets, because goods from France, Germany and the United States would have to pay more duty than those from the Mother Country. The prospect which such a policy opens up expands and brightens on closer inspection, and fully justifies its adoption. It is a safe policy, one which could not possibly produce any bad consequences, and would cause trade depressions to disappear and worklessness to cease from among the communities of the British Isles, while uniting them, by the strongest ties, with their brother nations across the oceans.

We have seen that under the five per

cent. scheme, nine-tenths of the Imperial revenue would be raised in Great Britain and Ireland. Of the remaining tenth about one-third would have to be contributed by the Dominion of Canada. Five per cent. upon her foreign imports would amount to about £600,000 or \$3,000,000 annually, but the necessity of supporting steamship and cable lines would at the same time disappear. When we consider that our neighbours to the south have to pay much higher duties, we cannot suppose that five per cent. additional on goods from the United States and the continent of Europe would be productive of much inconvenience to us. Possibly, on some articles, the ordinary rate of duty of the Dominion tariff would have to be modified. Importations from England would probably increase in quantity. Many descriptions of hardware, glass and pigments would be bought in England instead of Germany, and raw sugars would come from the British West Indies instead of Cuba. On the other hand Canadian timber would have some advantage in the markets of England over that from Norway or Russia, and manufactured lumber now supplied by the United States and Norway could be furnished from Canada. The trade in grain, flour, farm produce, cattle, fish and petroleum with Great Britain would be stimulated, and very possibly it might be found that certain minerals now supplied by other countries would be supplied from Canada to England.

Sometimes the opponents of such a plan as Mr. Hofmeyr's are good enough to consider the matter as it would affect Canada, and tell us that Canada "in its own interest, wants a differential duty on grain, meat and other so-called raw materials." Now, it can safely be stated that no such wish has been expressed by the people or press generally, or by any of the Governments. The country is perfectly well satisfied with the power it at present possesses of regulating its own tariff, and the question of differential duties has been brought to the front principally by the advocates of Imperial Federation, and with the design of interesting Canadians in the movement. We repudiate the idea that Canadian Federationists advocate differential duties or an Imperial tariff exclusively in the interest of Canada, and maintain that these would be equally, if not far more beneficial to England and the rest of the Empire.

The proceeds of the Imperial revenue duty in India would be about £400,000, and being levied on her foreign imports, which are now mostly free, would hardly be felt. Here too, English manufacturers would be benefitted, as compared with those from other parts of Europe, from China or the United States. With regard to Indian exports, more cotton, rice, wheat and tea would be grown, and perhaps many varieties of timber be sent to England which are now obtained from Central and South America.

As regards the West Indies, there cannot be any doubt that the extra Imperial duty of five per cent. would favourably affect the sugar plantations in Jamaica, Barbadoes, Trinidad and Demarara, and surely this advantage would not be grudged by any one to an interest which has suffered so severely from unfair competition on the part of foreign countries. Many of us, indeed, believe that duties should be levied on foreign sugars, equivalent to the amount of bounty, of which they have the benefit, and the proposed duty would tend slightly in this direction. It would also favour the trade in coffee, cocoa, mahogany and dye-woods with British Honduras, British Guiana and the West India Islands rather than with Guatemala, Mexico, Ecuador, Brazil, Venezuela and Hayti. Fruit, drugs and india rubber from the British tropics would also have the advantage.

Australasia's contribution towards Imperial defence by means of the five per cent. Imperial revenue duty would amount to £337,000 and take the place of £126,000 which she has agreed to pay for the protection of her floating trade. It cannot be imagined that Australia will make any objection to this increase, seeing that New South Wales was the first British colony to send, at its own cost and completely equipped, a contingent of troops to aid the Imperial forces, and that Victoria was the only colony that offered naval assistance to the Admiralty under Colonial Defence Act. If any inducement were required it might be found in the consideration that her meats, wine, wool and copper, together with the flax, gums and peculiar timbers of New Zealand would have a preference in British and Indian ports.

In what particular manner West Africa, and other distant islands and possessions, would be affected it is not easy to say, but we have Mr. Hofmeyr's

assurance that the burden would not be felt in the Cape of Good Hope. Possibly there may be found people sufficiently unjust and uncharitable to say that Mr. Hofmeyr made his proposal in the interest of South Africa, and that its contribution of £50,000 annually was given only to obtain advantages in other quarters, but no one who reads Mr. Hofmeyr's speech will say that it savours of selfishness.

As to foreign countries, they have thrown in the faces of British political economists their advice to adopt free trade principles, and cannot complain of our imitating their policy to the limited extent of exacting some slight equivalent for permission to trade in our markets. After all, even they would derive some benefit from the proposed tax, for the British navy is the marine police force of the world and from it the commerce of all civilised nations derives unacknowledged, perhaps unsuspected, but nevertheless substantial benefits.

The Hofmeyr principle has been before the public for its consideration ever since the meeting of the Colonial Conference, and Imperial Federationists have had it before them ever since the publication of my paper in 1886, but up to the present writing it has failed to obtain the approval of the Imperial Federation League. It is true that in December, 1890, the organ of the League expressed itself as follows:—"The principle of the Hofmeyr scheme is one which thoroughly commends itself to this journal, and we believe we may say to the league at large but so far approval has not been expressed in a formal resolution of the parent body. Even in the leading article from which the foregoing quotation is taken, the editor is very careful to distinguish between approval of the Hofmeyr principle, and acceptance of anything like Commercial Union. He says "We cannot too often make clear our position that we do not regard Commercial Union as in any way constituting a condition precedent of Imperial Federation, or even as in any very direct way leading up to it. We should be rather inclined to say that it is more likely to follow Federation than to precede it."

Sometimes an adherent of the League ventures squarely to express disapproval, and the following quotation may be given in order to show what means would, in certain quarters, be preferred to the Hofmeyr plan for raising an Imperial Revenue:—"It would be much better for England to pay her quota to the Imperial Exchequer direct, as e. g. by income tax, or out of the Consolidated Fund. Failing this, the Canadian suggestion made some time ago with regard to a tonnage rate on all shipping entering any port throughout the Empire, would be a better plan than a tax on raw materials. If, however, it were decided to adopt the principle of direct taxation, how would it be to agree upon a universal tax on spirits or tobacco, and allot that to Imperial purposes?"

It may be worth while to enquire what this would really amount to compared with the taxation proposed by Mr. Hofmeyr. The value of foreign imports into Great Britain amounts to £236,500,000 annually, and his 2 per cent. duty thereon would yield £5,731,300. To raise an equal amount by an excise tax on spirits, from which at present nearly thirteen millions sterling are derived in Great Britain, would require that the present duties be increased about 45 per cent. With regard to tobacco, which at present produces £9,367,000, the duty upon it would have to be increased 61 per cent. in order to provide the £5,731,000 obtainable by Mr. Hofmeyr's Imperial tariff. That the non-tobacco smokers or smokers of the United Kingdom, who at present contribute more than one-third of the entire revenue of the country, would consent to such heavy additional taxation, even for the sake of a United Empire, does not seem likely. Besides, this way of providing a common revenue would not have the slightest effect in uniting and encouraging the commercial interests of the Empire. So far as their several markets are concerned, Englishmen, Anglo-Indians and colonists would be on the same footing as aliens, and still continue to be as foreigners to each other so far as concerned their trade interests.

The quotations from English sources which have just been given will show that there is a certain class at home which entertains notions antagonistic to anything like drawing revenue from customs, and who want free imports as they frequently want peace at "any price." They admit the necessity of obtaining an Imperial Revenue from reliable sources, but the idea of incidentally benefiting British commerce is rigidly excluded from all their