

the general question of the coasting trade of this Continent, the policy of Great Britain has been more favourable to the citizens of the United States than to Canada.

The Memorandum of the Board of Trade enters at considerable length into the discussion of the correctness of the mode in which the Minister of Finance has established the amount of taxation in Canada, at different periods; and it is contended that, in the first place, the imports and exports of corn should be excluded from any calculation, and, secondly, that the correct result can be arrived at by taking the duty-paying goods only.

As respects the exclusion of corn from the calculation, it is stated correctly in the Memorandum to arise from the varied production and requirements of particular and contiguous localities; but so far from it requiring this article to be excluded from the comparative statements of trade under the system of free trade, it is plainly necessary to include it on the very ground stated by the Board of Trade; because, had the duty been maintained, the excess of corn produced in one section of Canada would have been artificially forced into consumption in another, at increased cost, or a corresponding quantity would have been imported from the United States, and would have paid duty—in either case causing a burthen upon the community. Even excluding corn from the free goods, it is admitted that between 1849 to 1854, and 1855 to 1858, they have increased from 6 to 16 per cent., which sufficiently indicates the direction of the policy of Canada.

But the Memorandum demands not only the exclusion of corn but that of all free goods, and offers a calculation based upon the duty-paying goods only, whereby it is contended that the duty has been increased from 10·4 to 19 per cent. between 1841 and 1859, and from 17·1 to 19 per cent. by the late Canadian tariff, instead of from 10½ to 13½ and from 12½ to 13½ per cent.

That this mode of calculation is fallacious may be shown by simply pointing out that, if the Board of Trade be correct, the Legislature of Canada could, by extending the Customs duties over the free goods, actually raise the same revenue, while at the same time they reduced the duty paid from 19 per cent. to 13½, as stated by the undersigned, which would manifestly be a complete delusion, as the amount levied on the consumer would remain the same. It appears evident that so long as Customs duties are levied, the gross amount collected must be subdivided over the entire imports in estimating the relative weight of Customs, comparing one year with another. It does not absolutely settle the amount of taxation paid by the people, as that must depend upon other fiscal burthens as well, but it certainly forms a correct measure of the amount levied upon the import trade.

The Board of Trade rest much weight upon the fact, that manufactured goods have been raised from 12½ per cent. in 1856, to 20 per cent. in 1859; but they do not advert to the fact that between the same periods the duty on sugars, molasses, teas, and a variety of other articles had been greatly reduced, and in some cases removed altogether. It is quite true, as stated in the Memorandum, that an increase of duties must operate against an extension of commerce; and the undersigned admits, that if the duties on manufactured goods were removed altogether, the consumption of Canada would be enlarged; but the same remark applies to the tea and sugar duties in Great Britain, which, in like manner as the Canadian duties on goods, are maintained from the necessity of procuring income. The point to be desired is evidently to fix such a rate of duty as will not, by a diminution of consumption, defeat the object of obtaining revenue, and the undersigned contends that this point has not been exceeded in the 20-per-cent. duties.

The Memorandum adverts to the increase of duty from 15 per cent. to 20 per cent. on linens and earthenware, and appears to have been written under the impression that the Minister of Finance had stated there had been no increase in those articles. A reference to his report will show, that while he spoke of "Cotton, iron, and steel, &c.," as the principal articles upon which increased duties were levied, he did not by any means state them to be the only ones.

The conclusion of the memorandum states:—

"However little the Imperial Government may think it right actively to intervene in the financial legislation of Canada, the Executive Authorities of that Province should bear in mind that, so long as discriminative duties exist in the British tariff in favour of Canadian timber, the manufacturers of England will naturally be very sensitive to the imposition of heavier duties in Canada, when the increased taxation will more particularly fall on the British trade."

On this it is only necessary to remark, that the British tariff is now proposed to be altered so far as to remove the discriminative duty in favour of Colonial timber. The Minister of Finance does not presume to question the propriety of the British Government arranging its tariff in the mode considered most advantageous to the British consumer; but it may be regretted that the intention to effect this change had not been announced beforehand, so as to prepare the Colony for it, as the timber trade is peculiar, and requires preparation many months before the timber can be brought to market.

The Minister of Finance trusts that the explanations which have been afforded on the subject of the Canadian tariff will have removed all misapprehension from the minds of my Lords the Committee of Privy Council for Trade, as to the policy of Canada being in any way opposed to the interests of the empire at large, but has been adopted with the view of maintaining unimpeached the credit and good faith of the Province.

13 March 1860.

Respectfully submitted,
(signed) A. T. Galt.