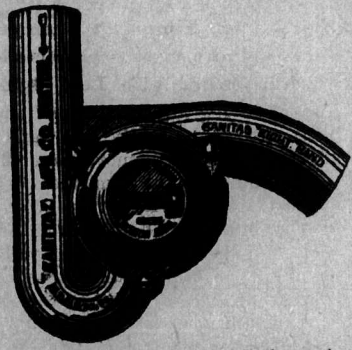


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**WITHIN THE EMPIRE;**  
AN ESSAY ON  
**Imperial Federation.**

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

**A British Commercial Union.**

For several years past an agitation has been carried on by certain parties in Canada and the United States in favor of what is called, sometimes, "Commercial Union" and at others "Unrestricted Reciprocity." Not only so, but the Opposition in the Dominion Parliament has definitely adopted this policy. Many persons are inclined to say that this fact accounts for the present disintegrated condition of the Liberal party in Canada, but it would be a mistake to belittle the importance or the possible consequences of the movement. One is sorely tempted to ascribe the present prominence of the project to the unreasoning zeal of its advocates, and their sublime indifference to the obstacles which must prevent its realization. It is indeed strange to find any man of literary or political eminence characterising Imperial Federation as impracticable and visionary, and at the same time fostering an agitation for tariff charges to which the Mother Country could never consent, and of which the advantages to the Dominion disappear even on the most superficial examination.

The advocates of this new political prescription, although extremely exacting when considering anything which others have to propose for the consolidation of the Empire, are very reticent or indefinite concerning the details of their own scheme. But it seems to consist of the following proposals:—To abolish all custom houses on the frontier, and all restrictions on travel or trade between the Dominion and the States to the south of us; to increase the duties now levied on imports from Great Britain and elsewhere to the same rates as now levied on foreign imports under the United States tariff; to pay these duties into a common exchequer, and divide the product between the Canadian and United States Governments in proportion to the population of the two countries. This is a difficult matter to treat these propositions seriously. It is impossible to see how Great Britain could consider, far less consent to them. Nor would it, I believe, be possible to find a Canadian statesman with sufficient effrontery to lay such proposals before Her Majesty's Representative, and at the same time talk of maintaining British connection even of the most attenuated description.

But if we pass over these considerations and enquire as to what material advantages the new arrangement would bring to the Dominion, they seem to be very slender indeed. An increased export of coal would possibly be caused from Nova Scotia to the States of the Atlantic sea-board, and of iron ore from Ontario to Pennsylvania and Ohio. But, on the other hand, the prices of all imported articles would be increased twenty-five per cent., the markets of the Dominion would be flooded with American goods, the capital which has recently been invested in manufacturing would be swept away, and the skilled labour of our factories and foundries would have to wander southward. With regard to our agricultural products, the change would not create for them any market which is not already fully supplied. As for the financial part of the plan, if it were worth while to enquire, it would certainly be found that the share of revenue falling to Canada would be altogether insufficient to pay the interest on her debt, and provide for the provincial subsidies. But, besides all this, which has been already fully discussed by Mr. McGoun and others, scores of questions arise as to the working details of the scheme which the Commercial Unionists have not yet deigned to notice, and which it would be unprofitable now to enumerate.

A Canadian who not long ago was questioned by a banker in the States as to his views on Unrestricted Reciprocity, replied, "The scheme is ridiculous; if ever Canada should go in that direction, there can be no halfway betwixt our present condition and complete absorption into the United States." The American then remarked that that was precisely the statement made by every man of consequence in Canada whom he had consulted. Opinions precisely similar are held by many Americans. Mr. Joseph Wharton, of Philadelphia,

who had in 1879, suggested a Zollverein between the United States and Canada, wrote recently in a letter to the editor of the Nation as follows:—"My views are not changed on that subject, except that as the practical difficulties become more apparent of agreeing upon schedules, of harmonising appraisers owing different allegiance, and of dividing joint revenue, I have come to prefer absolute political union with Canada to any halfway measure." This quotation goes a long way towards proving that "Unrestricted Reciprocity" is utterly impracticable and that any attempt to carry it out simply prepares the way for the political obliteration of Canada. Such a scheme only requires to be mentioned to the Canadian people to be rejected. The truth is that the new movement is only a revival of former agitations for annexation or independence, and is the work of a vociferous minority of restless persons who hope for salvation for themselves and their party in reckless political change.

But the course of these agitators should have its lesson for us. Truly "fools step in where angels fear to tread." Why should we, who are labouring for Imperial Unity, be afraid to disseminate an antidote to their poison? We too are advocates of Commercial Union, but it is with the Mother Country, her Colonies and Dependencies. We maintain that Great Britain should have the preference in Colonial markets, and Colonists the preference in those of the United Kingdom. Most of us can descry higher objects than this in Imperial Federation, but there are those to whom if our movement does not mean advantage in trade it means nothing.

It is, indeed, only by preferential commercial arrangements that the British Empire can be made to present a coherent exterior. Compare the front it now shews with that possessed by other nations. When the boundaries of the German Empire or American Republic are reached, merchants are made to feel it in a very tangible manner, and given to understand, by the tariff arrangements that true union prevails in these countries. The nations of the British Empire are not united by any such bond. Each has been left to its own devices in this matter, and the result is a medley of free trade, revenue and protective tariffs, at which foreigners smile but of which they contrive to take advantage. "To keep foreigners from fooling us" was former old Admiral Blake's motto in former times, but it now seems to be forgotten. The foreigner can sail round Australia finding a different tariff in every port, but none which indicates to him that he is an alien, or that the country is British. Nor can he find that the British flag has the preference over his in the East or West Indies, in Canada, South Africa, or even in England itself. When the various countries constituting the British Empire agree to favour each other in their commercial intercourse, then they will have taken the first step towards a land closer union. The only bond between them which other nations will be able to feel and understand, in time of peace, is a tariff in which some consideration is manifested for our own farming manufacturing and trading fellow subjects. Let us have "Commercial Union" by all means, but let it be a British Commercial Union, suited to the circumstances of the whole Empire.

British Commercial Union means, of course, union among the members of the British Empire by certain arrangements for mutual aid and intercourse which do not extend to foreign nations. It necessarily involves mutual participation in certain advantages, from which other countries are excluded. The commonest form of such a Commercial Union is that presented by the United States; by the various kingdoms and principalities constituting the German Empire; and by the different provinces which form the Dominion of Canada. Such union provides for perfect freedom of trade between the states or provinces so bound together, with more or less restriction of intercourse as regards commerce with other countries. This restriction usually assumes the form of duties upon imports, the proceeds of which are, in many cases, required for purposes of revenue. No other plan of commercial federation has had any successful existence in the world's experience, and, therefore, when a British Commercial Union is mooted it is at once taken to mean, on the one hand, free trade betwixt the various parts of the Empire, and, on the other, a tariff of some description, discriminating against foreign nations.

But perhaps this definition of a Commercial Union may not be satisfactory to those political economists who have advocated the greatest possible freedom of trade, not only between the integral parts of the same federation,

but between such aggregated communities and other nations throughout the world. Possibly the free-traders' idea of a Commercial Union is unrestricted commerce, not only between its members, but with all the world besides. If so, it is one of those unrealisable combinations that have had no existence in the past, and do not seem possible in the future. Let us suppose, for instance, the various obstacles in the shape of tariffs that are said to obstruct trade between the British possessions at the present time to be entirely removed or to be all remodelled after the English fashion, without the institution of any Imperial tariff leviable on foreign importations; would it be possible to look upon the result of such an arrangement as a "Union," in any sense, commercial or otherwise? Certainly not; at any rate, it could not be regarded as an improvement on the Union we at present enjoy. It seems that, no matter how the present British tariffs may be modified or improved such changes would not bring British possessions into closer union if the question of a common customs tariff, to be imposed by all of them as against foreign countries, be kept out of consideration.

Since, therefore, a British Commercial Union involves the imposition of duties on imports, it is necessary to return to the consideration of the question as to how the simplest form of it, indicated above, would answer for the whole British Empire. What would be the result, if absolute internal free trade were adopted in conjunction with an Imperial tariff? What would be the consequence, if the amount of revenue at present derived from Customs duties throughout the Empire were obtained, not by taxing British products, but by duties on foreign importations? If in solving such problems as these that recourse must be had to Sir R. W. Rawson's "Synopsis," in which the foundations for the discussion of such questions has been well and securely laid. According to the statistics of this work, it appears that the sum of 37,180,274*l.* was raised in the year 1885, in the various parts of the Empire, by duties on imports and exports. In the same year the value of the imports from foreign countries into the Empire was, as has been already mentioned, the following:—

Great Britain and Ireland	£286,566,000
India, Ceylon, Straits Settlements, Labuan, and Mauritius	24,337,000
Canada and Newfoundland	12,736,000
Australasia	6,751,000
West Indies, Honduras, and British Guiana	3,206,000
Africa	1,061,000
Gibraltar, Malta, Bermuda and the Falkland Islands	154,000
Total	£334,811,000

A simple calculation shows that it would be necessary to impose a duty of 11.1 per cent. on this amount to obtain the revenue above mentioned. All agree that revenue must be raised in the various possessions; opinions may vary as to the manner of obtaining it. If it were proposed to raise that part of it now derived from customs duties by a duty of 11.1 per cent. *ad valorem* on foreign imports, it would become necessary to ask, how much would, in this case, be collected in the various divisions of the Empire. The following statement gives the answers, and compares the amounts with the sums actually raised at present from customs duties:—

	Proceeds of an <i>ad valorem</i> duty of 11.1 per cent. on foreign imports.	Amount of duties now raised.
Great Britain and Ireland	£31,808,826	£19,827,000
India, Ceylon, Straits Settlements, Labuan, and Mauritius	2,701,407	3,427,391
Canada and Newfoundland	1,413,696	4,130,773
Australasia	749,361	7,222,051
West Indies, Honduras, and British Guiana	355,926	949,115
Africa	117,771	1,475,230
Gibraltar, Malta, Bermuda, and the Falkland Islands	17,094	157,711
Total	£37,164,021	£37,180,274

A glance at this statement shows that a change from the present system of levying Customs duties, to one of internal Free Trade, with an outward Imperial tariff of 11.1 per cent., would occasion an increase in the amount raised in Great Britain of 37 per cent., but that, in the case of the Colonies and dependencies, the following immense losses of revenue from Customs would be sustained:—

	per cent.
India, &c.	21
Canada, &c.	65
Australasia	89
West Indies, &c.	62
Africa	92
Gibraltar, &c.	89

To make up these losses by a resort to direct taxation would be a course utterly impossible for any Colonial statesman, and, in Canada, it would be one of doubtful legality. The Dominion could scarcely levy direct taxes so long as the various Provinces avoided doing so. It might be suggested that the subsidies paid to the various Provinces out of the Dominion treasury could be reduced or abolished, but this would require a revision of the British North America Act, and endanger our Confederation. On the other hand, it might be claimed that Great Britain should make up the deficiencies out of her increased revenue from Customs, but this course would no doubt be deemed as impracticable as any other.

From the foregoing it seems plain that inter-British free trade would utterly derange the finances of all the Possessions. Indeed, it might be argued that demanding it would be an interference "with the existing rights of local parliaments, as regards local affairs," and consequently a violation of federation principles. Such interference would certainly not promote the progress of the League in the Colonies. It follows that the management of the various British tariffs, however chaotic and void of principle they may appear, must be left to the authorities at present in charge of them, and any suggestions for modifying them must be made with the greatest care, and with due consideration for the financial necessities of each separate possession. In the proceedings of the Colonial Conference this has been fully recognized, and in the suggestions there made, it has been taken for granted that the duties levied for the purposes of each part of the Empire should not be interfered with, as regards an Imperial Tariff. Mr. Service (from Victoria) expressed himself as follows:—

"I must say that whilst the question of a common tariff throughout the whole Empire has been mooted again and again, it has always seemed to me impossible, probably because I did not think it out. I knew it was impossible for the Australian Colonies, for example, or for Canada to accept the principle of commercial intercourse which exists in England. But I must confess that a remark which fell from Sir Samuel Griffiths awakened a new set of ideas in my mind; and that was, that it was not necessary that all the component parts of the Empire should have the same tariff in order to carry out this idea—that is to say, 'that if you placed a differential duty as between the Imperial products and the foreign products, it would not matter what the precise local tariff happened to be.' I never looked at the matter in that light before, but I have thought about it a good deal since, and I must say it appears to me at present that there is a good deal in that point." Sir Samuel Griffiths, from Queensland, in his letter of the 28th March last to the Secretary of State for the Colonies, wrote on the same subject as follows:—"I hope that an opportunity may arise during the Conference of discussing the practicability of consolidating and maintaining the Unity of the Empire by adding to the existing bonds a definite recognition of the principle that Her Majesty's subjects, as such, have a community of material interest as distinguished from the rest of the world; and of considering how far effect may be given to this principle by the several countries forming part of Her Majesty's dominions affording to each other commercial concessions and advantages greater than those which are granted to subjects of other States. Without for a moment suggesting any interference with the freedom of each Legislature to deal with the tariff of the country under its jurisdiction, I conceive that such freedom is not incompatible with a general recognition of the principle, that when any article is subjected to a duty on importation a higher duty should be imposed on goods coming from foreign countries than on those imported from Her Majesty's dominions." The same policy was endorsed by the general committee of the Imperial Federation League in Canada at a meeting held at Ottawa on June 20th last, and largely attended by members of Parliament. It was then resolved:—"That this meeting suggests for consideration Imperial Reciprocity as the trade policy most in accordance with the objects of the League, and reiterates the opinion that trade between different parts of the Empire should take place upon more favorable terms than trade with foreign nations." This resolution was reiterated at the annual general meeting of the League in Canada, held in Toronto on the 24th March, 1888.

"That the Imperial Federation League in Canada make it one of the objects of their organization to advocate a trade policy between Great Britain and