

plus has been kept, because Congress was too unwieldy to take it away. But we are not sure that the consequences will hereafter be always so beneficial. If there should ever be an American deficit, the unwieldy nature of Congress may as easily and as thoroughly prevent its being covered, as it now prevents the existing surplus from being impaired.

But our present business is not with the ultimate effect of this strange peculiarity upon American finance, as with its present effect upon all writers and speakers who discuss that finance. There being no authorised budget—no exact equation between expenditure and income,—each writer tries to make an equation. Mr. Wells, the Revenue Commissioner, goes into estimates, both outgoings and incomings, such as we only expect of a Chancellor of the Exchequer here. He hopes largely to reduce the expenditure which his master, the Secretary of the Treasury, estimated for the year 1868-9, and also largely to pay off the debt, but we confess—speaking at a distance and subject to correction—we cannot regard these estimates of future expenditure as of much value as anticipations. They may be—probably are—quite right as proposals. Mr. Wells may think that such and such an expenditure only is necessary, and that he can per suade Congress of it; and that such and such a payment of debt is reasonable, of which, too, he may hope to convince Congress. But the action of the whole American Government is too uncertain for us to be able beforehand to say what it will do or not do. When Mr. Wells has convinced his Government, and induced them to enact his estimates, they will have a European importance; till then their value is confined to America, and to those who must discuss them.

The real interest of Mr. Wells's report lies in his criticism of the present American taxation,—especially of its protective tariff, and its curious and costly internal revenue. Of the tariff, we are sorry to say, he speaks approvingly; not that he commits himself to the doctrine of protection,—so intelligent a man would be slow to do that. But he looks at the subject in that narrow practical way which is so natural to respectable financiers, though in the long run it is so mischievous to the nation for whom they act. Mr. Wells says in substance, and almost in words: "Here I find a great amount of real money—actual gold—coming very easily, very surely, and without complaint. An economist may raise theoretical objections; but on the whole, where can he get me as much cash without certainly causing more odium, and perhaps without doing more harm." And Mr. Wells does not say, though it cannot but have passed in his mind—"A protective duty, bad as it is, has one advantage which other duties have not, good as they may be." It has some one to stand up for it. Good duties depend on patriots—upon persons who see, know, and care for the public interest, and these are always few and generally lukewarm. But a protective duty is a subsidy to a set of persons who will clamour, agitate, and contend that it may continue to exist. Thus, the public Treasury gets a source of revenue which has eager defenders; whereas, in all other ways, it is fed by sources of revenue which have only cold and philosophical friends. Their arguments may seem odd, and they are certainly mischievous. It is of no consequence that you prove that such protective duties cause a bad distribution of labour and capital; that they cause men to labour where their labour, in comparison, is unprofitable, and not to labour where the yield would be, of all others, most ample. The low but pressing motives that the Treasury must have money, and that this money comes in easily, and has strong friends who will see it is never intercepted, act upon all finance ministers, and maintain these wretched fiscal errors in spite of the best argument and the surest demonstration.

The motive to keep a high tariff is common to our colonies and other countries, as well as to America. But the United States, and they alone, have such a marvellous system of internal revenue. As we before stated, more than £31,000,000 were raised by it in the last American financial year, and that it is wonderful in itself; but it becomes nearly incredible when Mr. Wells tells us that only 50 per cent. of what the taxpayer ought to pay really reaches the national Treasury; that of every two dollars which ought to be contributed, one dollar is either not collected at all, or stolen or wasted before it reaches the Exchequer. Such a statement seems, at first, absurd, but it ceases to be so when we consider the whole circumstances. The American Government attempted more in finance than any other government, with fewer and worse financial implements than any other government. The "internal revenue" would cause life to stand still in England; no Ministry dare propose a quarter of it to any Parliament. And yet the American Government, which tried it, has far worse means of collecting duties than the English Government. Until the civil war, the Federal Government—the Government of which we are now speaking—the United States Government, properly so-called, was hardly in contact with its subjects. It levied no money from them; it did nothing for them in daily life. It was a kind of extra government for foreign use and imaginative gratification; the common, coarse work of government was done by the State Governments. These only had a revenue collecting machinery in the interior; the Federal Government subsisted upon Customs' duties and the public lands. Naturally, therefore, when the Federal Government began to collect a vast revenue from all the detail—from the minutest atoms—of men's lives, it found a difficulty; it had to create a staff of officials competent intellectually to such a duty, and morally trustworthy in the performance. In every country this would be difficult, but in America it was excessively difficult. The demand for skilled labour is there much greater than anywhere else in the world, in comparison with the supply, and hence it is not too common among persons suddenly available in a country of full employment for a new trade. All the best people, intellectually as well as morally, were employed already, and what had to be taken were only the

second-rate and the less trustworthy. So difficult a work attempted with such bad means was sure to fail.

But the monstrous manner in which it has failed was not to be expected. Nobody's fancy could have gone as far as the reality. The most important internal tax is that on spirits; and Mr. Wells thus describes the result:—

"The present production of distilled spirits in the United States, theoretically available for assessment and revenue, is undoubtedly about fifty millions of proof gallons per annum; and although statements implying a larger annual production and consumption are continually put forth, and are made to some extent the basis of financial reasoning, they are supported by no evidence, and are entirely unworthy of credence."

The largest amount of revenue collected in any one year, since the imposition of the present tax of £2 00, has never been in excess of \$30,000,000, (\$29,482,078 in 1866, and \$29,164,409 in 1867), or, in other words, the Government has thus far succeeded in collecting the tax on somewhat less than one gallon of proof spirits to every three gallons that has been manufactured.

The tax thus evaded has not, however, through the enhanced price of spirits, ensured, to any considerable extent, to the benefit of the consumer; which enhancement, if not on an average equal to the cost of manufacture, plus the Government tax, has been sufficient to afford an annual aggregate of profit to the illicit dealers, of at least \$30,000,000; which sum, moreover may be taken as the measure of the present inducement to evade and defeat the law. Under these circumstances the practical question which presents itself is this: What can be done to draw from a source, which all are agreed should contribute largely to the expenses of the Government, a greater amount of revenue?

The most curious effect has been that there has been a great agitation in the spirit trade for the spirit duty. Sound financiers (like Mr. Wells) want to reduce it, but the lobbyists prevent them. The higher the duty—the greater its uncollected half—the greater the sum charged to the consumer, not paid to the Government, but retained by the dealer and manufacturer. The corrupting duty has created a machinery to maintain itself, as corrupt things always do.

Of the tax upon tobacco, the next item in yield, Mr. Wells tells us in an extract which is long, but which would lose its instructiveness if abridged:—

1st.—The chief and most extensive agency by which the revenue is successfully evaded grows out of the complicity or incompetency of officials. In fact, the present method of collecting the revenue is made so far dependent upon individual inspectors, that when honesty is wanting, the check derived through inspection becomes almost worthless.

2nd.—The use of counterfeit or illegal inspection brands. Each inspector furnishes his own brands in whatever style he chooses, and there is no uniformity in the method of inspection. In some districts the brand "smoking" appears on the casks or packages which have been inspected and branded as such; while in other districts this word is omitted; thus enabling "chewing" tobacco to often escape with a 15c tax, when by law it is required to pay 40c. Inspectors are frequently removed; but when this is the case they retain their brands, and here is nothing but general vigilance to prevent inspection in large quantities, either by themselves or others, after their removal. Stencil cutters, in executing an order from an inspector, may make any number of *fac similes*, and dispose of them to manufacturers; or any dexterous person can imitate a branding-plate so closely as to prevent the counterfeit markings from being readily detected.

3rd.—The continuous use of inspected packages, and the collection of the inspected heads and portions of packages once used to be used again in the construction of new ones.

4th.—Having a large quantity of smoking tobacco inspected, and afterwards removing it and substituting chewing tobacco—charged with a higher tax—in its place.

5th.—In some districts it is customary, in order to facilitate business, to allow small packages or bundles, of from one to ten or more pounds each to be sold without inspection marks; the manufacturers simply entering into a small book the amounts, to be added up occasionally by the inspector. In this manner no inconsiderable proportion of "fine cut," sold in rolls or foil, escapes taxation.

6th.—An irresponsible person may rent a cheap building, purchase some old machinery, hire motive power, obtain a license, and give bonds for \$3,000 for the purpose of manufacturing smoking tobacco. He may obtain his leaf from another interested party, or buy it daily, and dispose of his goods as fast as made. Under the present law he can continue this business for sixty days, have his tobacco properly and fully marked and branded, and become a debtor to the Government, on account of the taxes on his product, from \$20,000 to \$25,000. Before the expiration of the sixty days, he disappears, leaving to the Government his machinery and bond—if that happen to be good—amounting in all to, perhaps, a value of \$5,000. The manufacturer in question, thus disappearing, appears again under another name, in another locality, and again successfully perpetrates the same system of evasion.

7th.—The use of hand-cutting machines in families throughout the country.

8th.—The abuse of the bonding system. If revenue is wasted thus in the great articles, we need not inquire as to its collection in the trifling and petty articles.

The general conclusion which Mr. Wells has derived, both from his studies in Europe and his observation in America, is, that the only sound maxim is to impose moderate duties on a few great articles, and then see that they are well collected; and this, though not new in Europe, will, if he can carry it out, be a singular novelty in America.

THE PETROLEUM TRADE OF CANADA.

(From the London Free Press.)

SEEING that refined petroleum has receded to 10c. per gallon—some refiners having sold at that price by the car load—it may be useful to remark upon the present and prospective condition of the oil trade. For the past two years the trade has been one of continued relapse, and prices, both for crude and refined, have steadily receded. Thus, in the winter of 1865-66, crude realized \$10 a barrel, and refined 65c. a gallon; in the winter of 1866-7, crude had fallen to \$1.25 per barrel, and refined to 20c. per gallon; and in the winter of 1867-68, we find crude had fallen to 40c. per barrel, and refined to 10c. per gallon! We question if, in the history of any business or manufacture in this country, so tremendous and disastrous a decline in the value of any article has occurred. This continuous, but persistent fall in the price, both of crude and refined petroleum, is traceable to several causes.—First, the finding of very productive oil fields on which, last summer, were located wells of extraordinary yield; some produced oil at the rate of 250 bbls. per day, the supply quickly swamping the market. The second cause of the decline was the over-competition in the manufacture of refined oil; scores of stills have been erected over and above the requirements of the country. The third and last cause of the rapid fall in value must be attributed to the financial weakness of both producers and refiners, necessitating sales at any sacrifice.

The question most interesting to the commercial public is, at what point will this declension of values cease; in other words, what is "bottom" in the business. If crude has dropped from the inflated price of \$10 per bbl. to 40c. per bbl., and refined has fallen from 65c. to 10c. per gallon, why should not a further decline be looked for. When the mercantile public understand that no "lower depth" can be reached, then we may look for an improvement in the trade. We think that "bottom," both in crude and refined, has been touched, and that it is impossible prices can be lower; this opinion is based on facts which will be presently referred to.

It would appear that the tumble in prices is due principally to the glut of crude, caused by the extraordinary yield of the wells last summer. Production and prices were stimulated by the demands of the refiners, and also of speculators, who bought it up for storage. It was hoped that oil would be in demand for the purposes of fuel for steam engines, but this hope has hitherto proved fallacious. Then an export trade of both crude and refined was looked for; this prop also fell from under. Then the trade of the Lower Provinces, it was claimed, would take off the surplus; but that hope was likewise doomed to disappointment. Thus, all the oil pumped last summer—enough for two years' supply of the home market—must fall back on the country.

The demands of Canada as a consumer of refined oil, have been vastly over-rated. By the shipping returns of the Great Western Railway from Petrolia, in 1867, we are enabled to arrive at an approximate calculation of the quantity required for home use:—

Quantity of crude shipped from Petrolia by Great Western Railway in 1867.....	147,000
Do. by team to Wyoming and Sarnia.....	20,000
Total.....	167,000
Deduct in hands of refiners, Jan. 1, 1868, over and above the amount in stock, Jan. 1, 1867.....	40,000
Total amount of crude used in 1867.....	127,000

Allowing that 75 per cent. of refined can be extracted from crude, it follows that the quantity of refined made in 1867 would amount to about.....	95,250
Add stock of refined, Jan. 1, 1867.....	12,000
Total.....	107,250
Deduct stock of refined, Jan. 1, 1868.....	20,000
Estimated consumption of 1867.....	87,250

We believe these figures to be as substantially correct as the statistics procurable can place them. It follows, then, that 87,250 bbls of refined, equal to 109,062 bbls of crude is sufficient to serve Canada for a twelvemonth. When the production of crude exceeds the weekly average of 2,000 barrels, the market becomes glutted, and values must recede; and in like manner when the average quantity of refined manufactured for Canadian consumption exceeds 1,640 bbls per week, then the refined market becomes glutted, and prices must, from undue competition, fall, to the injury alike of producer and refiner—this, be it remembered, in the absence of a foreign market.

Up to the present writing, not a single honest effort has been made to export refined to Europe in competition with American oil. Although the Americans, in 1867, exported 1,600,000 (one million six hundred thou) bbls of refined oil to the various countries of the world, yet not a single barrel of Canadian oil found its way across the ocean! This want of energy in pushing a foreign trade is a sad reflection on the commercial spirit of our manufacturers and mercantile men; and were it not for the protective duty of 15c per gallon, there is no doubt that the Americans would introduce their oil and drive our home productions entirely out of the market.

The question as to the future of the trade calls for some remark. The low price to which the crude article has fallen has compelled four-fifths of the producers to close their wells and suspend operations; the price 40c to 50c per bbl at the wells, does not reimburse the operator for his time, trouble and outlay of capital. Many have tried it with large wells to back