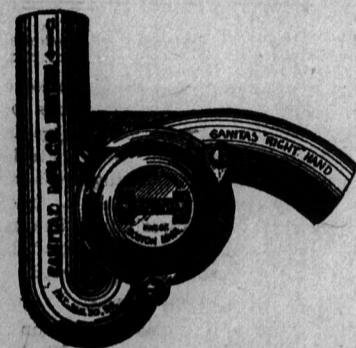


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WITHIN THE EMPIRE;
AN ESSAY ON
Imperial Federation.

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

CHAPTER V.

An Imperial Treasury.

The proceedings of the Colonial Conference of 1887 teach us some very important things, and even the discussions which ended apparently without result show us what it is necessary to provide in order to render the Empire secure and prosperous. They further reveal to us the understanding which exists to-day throughout the British Empire as regards its defence. Each colony, or group of colonies or dependency has to meet the expense of protecting itself, so far as the use of military force or militia is concerned, while the United Kingdom not only has its own land defence to attend to, but also the protection of the coasts of the whole Empire and of its shipping at sea. Of course this arrangement is imperfect and can only be defended as being of a transitory character. That the whole cost of the British navy and of fortifying and defending the coaling stations should fall on Great Britain seems utterly unreasonable at first sight, until due consideration is given to the fact that no other part of the Empire has anything to say as regards foreign affairs, or the conduct of negotiations which may lead to the outbreak or the avoidance of war. In fact the absence of any right on the part of British colonies to shape Imperial policy, seems to carry with it the absence of liability for the expense of the British fleet and the Imperial fortresses. When therefore the home Government called upon Australasia to contribute to the defence of shipping and coaling stations, it undertook to disturb existing arrangements, and ought in all fairness, to have suggested some concession to the colonies of the South Pacific as regards the management of Imperial concerns. Moreover, the so-called Imperial Government, with the view of establishing a more orderly state of things, should have laid down some intelligible principle according to which the amount to be contributed by the Mother Country and colonies respectively could be regulated, and it should have offered, in some way or other, to keep the finances of the Empire distinct from those of the United Kingdom. These considerations are worthy of the attention of the Imperial Federation League in England, which has adopted as its first aim the establishment of periodical conferences, and show how necessary it is, in order to their successful working, that well matured proposals should be laid before them not only for establishing a proper basis for the contributions towards naval defence, but also looking towards the invention of a separate Exchequer and an Imperial Senate.

To anyone resident in Canada, and accustomed to the distinction which exists between Dominion and Provincial finances, it becomes a matter for wonder that an Imperial Treasury separate from that of the United Kingdom has not yet been created. The want of it must have had the effect sometimes of preventing the adoption of a vigorous and effective policy in foreign and colonial affairs. But, instead of bringing into existence a common fund for Imperial purposes, an attempt has been made to obtain contributions towards Imperial Defence and to disburse these through the medium of the English Exchequer. Perhaps a more correct view of the transaction is to regard the subsidy which the Australian colonies have agreed to pay for the increase of the squadron simply as a payment to the United Kingdom for certain services. This is not a plan which has had much success in the past, nor is it one which is likely to have a tendency towards consolidating the Empire. To pay for fleets is the first step towards owning them, and when the different divisions of the Empire come to acquire independent fleets, the unity of the Empire will not be of long duration. And even if a system of contributing by subsidy to a purely Imperial revenue could be inaugurated, it is doubtful, for the reasons given by Mr. Hofmeyr and quoted in the preceding chapter, whether it would be permanently maintained on the part of the Colonies. Happily there is a more excellent way indicated in the proceedings of the Conference, and the proposal of Mr. Hofmeyr. Although the latter com-

mands approval, as far as it goes, it is very evident that the revenue of £700,000 which it would provide is insufficient to meet all the expenses of an Imperial character. What these expenditures are likely to consist of may here be considered.

In the first place it has to be remarked that the several divisions of the Empire already possess and support their own military systems, and their cost does not require to be considered from an Imperial point of view. If, unfortunately, war with any foreign nation should break out, our military resources would have to be combined and utilized in a similar manner to those of the German Empire. But, in times of peace, they would be subject to the local authorities and provided for by them. It is, however, different with the British fleet. There can be only one, just as there is only one German fleet, and its cost is a burden which should be shared by all the peoples of the Empire. In June, 1886, a special number of the Imperial Federation Journal was issued entitled, "Fifty years progress," and containing a reduced copy of the Howard Vincent Map of the British Empire. This map possesses features never before heard of in geography. On it we find not only the possessions of the British people laid down, but also the limits of their marine domains. The vast aqueous surface of the globe is divided into naval stations in each of which "Britannia rules the Waves." In noting them it gradually dawns on the mind that the British fleet patrols the high seas like a police force, giving security not only to our own shipping but to that of all other nations as well. We cannot suppose that the latter have naval stations continuous with ours, nor have we heard that their warships have been extensively useful in suppressing piracy or the slave trade. The shipping of all nations is a debtor to the omnipresent British Fleet. Equally indebted to it are Canadian liners and Australian coasters, but with unparalleled liberality the United Kingdom has heretofore borne the whole expense of this magnificent protectorate of the oceans. Besides the Naval estimates there are other expenditures for common purposes within the Empire which would have to be paid for out of an Imperial Revenue. Among these may be mentioned the defences and garrisons of the Imperial fortresses, harbours and coaling stations; subsidizing steamships for use in time of war; subsidizing the main lines of steam and telegraph communication connecting the various divisions of the Empire; the consular and diplomatic service, the Foreign and Colonial Office, and the cost of an Imperial Senate. And if there is any outlay more truly Imperial than another, surely it is the expense of supporting the Throne and Court of Her Most Gracious Majesty. If all these payments are to be well and properly met, the rate of duty suggested by Mr. Hofmeyr, would have to be increased from two to five per cent.

The latter is the rate suggested by the present writer in an essay on the subject, which was read before the Montreal Branch of the Imperial Federation League in Canada, on the 21st December, 1885, and which was published in "Imperial Federation" Vol. I p. 51. In that paper I advocated the imposition of a duty of five per cent. on all imports from foreign countries into any part of the Empire, the proceeds to be devoted to Naval Defence; this duty to be over and above and independent of all existing tariffs, home or colonial, and at the same time incapable of preventing any of the provinces of the Empire from modifying its ordinary local tariff at pleasure.

The following statement shows the value of the imports into the Empire from foreign countries in 1885 and the amounts that would be realised from an Imperial duty upon them of five per cent. ad valorem:—

	The Imperial Revenue.
Into Great Britain and Ireland.....	£286,566,000
" India, Ceylon the Straits Settlements Labuan and Mauritius.....	24,337,000
" Canada and Newfoundland.....	12,736,000
" Australasia.....	6,751,000
" The West Indies, Honduras and British Guyana.....	3,206,000
" Africa.....	1,061,000
" Gibraltar, Malta, Bermuda and the Falkland Islands.....	154,000
	£334,811,000
	£16,740,550

The Imperial Revenue of £16,740,550 per annum, thus created is no doubt a respectable sum, but not more than is required for the expenditures above mentioned. If an attempt is made to construct an Imperial budget the best way is to take these outlays as far as

possible from the recent public accounts of the United Kingdom:

Navy, including transport.....	£13,000,000
Defence of harbours and coaling stations.....	500,000
Foreign and Colonial offices.....	115,000
Diplomatic and Consular Service.....	900,000
Imperial.....	50,000
Royalty.....	100,000
Steamship subsidies.....	620,000
Submarine and Land Telegraphs.....	200,000
	£15,465,000

It would thus appear to be possible to provide for the payment of these large sums by imposing throughout the Empire the import duty above mentioned of five per cent. ad valorem on foreign goods.

To attempt to raise an Imperial revenue of sixteen millions sterling annually by means of direct taxation in the various divisions of the Empire would be an impossible proceeding. Even in the United Kingdom where the people are well accustomed to the imposition of direct taxes some difficulty might arise in attempting to raise a Federal revenue by such means. The English Parliament, that is to say, the House of Commons might very reasonably object to the collection of local rates for federal purposes. However this might be, it would certainly be impossible in Canada to raise \$3,184,000 by any such means. As was said by Sir John Macdonald, "The Dominion is practically limited to indirect taxation." Even if the proposal were made to pay this sum out of our ordinary revenue into the Federal Treasury, it might well happen that the people of Canada would object to contributing in that manner. It would be said that we support our own militia, and have made great sacrifices in building the Canadian Pacific Railway, a truly Imperial undertaking. As for the navy, although we might be willing to pay our share for the protection of our shipping, we would decline to imitate England's profuse generosity, and burden ourselves gratuitously with part of the expense of preserving the peace and safety of the high seas for other nations. Indeed it ought not to be forgotten that foreign nations profit from our vigilance, contribute nothing towards maintaining the peace of the high seas, and can only be made to do so indirectly by the adoption of some such plan as Mr. Hofmeyr's. Without doubt his will be found a better system than contributing by subsidy, or raising the money by direct taxation. There are classes in all communities who object to paying over hard cash for the common weal. The British workman contributes two-pence with every glass of gin he drinks, a penny with every half-ounce of tobacco he purchases, but will give nothing direct. In Canada there are also certain classes who would object very noisily to direct taxes or contributions for the common purposes of the Empire, and would probably, as in Queensland, call these the Imperial "tribute." It would be bad policy to stir up their opposition, and our recourse must be to indirect taxation, by which every class can be made to contribute to the defence of the Empire.

The objections which might be raised against his scheme have been most ably passed in review by Mr. Hofmeyr himself, and it is impossible to do better than transcribe this part of his speech. He says:—

"Now I know that there are various difficulties which may be started against this project, and I have noted some of them down.

The first is that it would be said that the proposal amounts to the levying of a differential duty, and that differential duties are bad in themselves, and therefore should not be allowed. But I maintain that this imperial tariff of customs would be no more a differential duty as between England and its colonies than are the duties under the Australian Act authorizing the Australian colonies to grant special privileges to one another's trade; so that it cannot be condemned on this account, unless we are prepared to demand the repeal of the Australian Act. (Hear, hear.) Then again in the Cape Colony we to some extent have differential duties also. We have a differential duty in the Cape Colony, not only between our colony and another British colony, but between the Cape Colony and foreign states. We have two republics on our borders, the Transvaal and the Orange Free State; and one of our Customs Acts has a provision to this effect: That all South African produce, including produce either from the Transvaal or from the Orange Free State, with the exception of some articles, such as tobacco, spirits, sugar and coffee, shall be admitted duty free. While, for instance, all grain imported into the Cape from Australia has to pay a duty to a very considerable amount, Free State and Transvaal grain pays nothing whatever. Moreover, I believe that in

India a similar practice obtains; that any imports coming overland from the northern border states, outside of India, are admitted duty free, or, at all events, not under the same tariff as those which come into India by sea.

As a second difficulty it might be advanced that the proposed imperial tariff would be an infraction of the most favored nation clause in the treaties with foreign powers. I do not know whether it would involve any greater infraction of existing treaties than the cases which I have already quoted. If the cases of the Cape Colony and Australia cannot be considered as an infraction of these treaties, neither can the present proposal. But if it should after all amount to an infraction of existing treaties, then I should say that it may be as well that for the future England should take care that when treaties are entered into the most favoured nation clause is not applied against its colonies to the same extent and in the same way as if these colonies were foreign powers instead of being integral parts of the empire itself. I, moreover, find that the system of favoring colonial above foreign trade is one which is adopted by almost every other colonial power. France, adopts it, Spain adopts it, Portugal adopts it, Holland does not adopt the system herself, but she allows her colonies to levy a differential duty as against foreign goods, but not as against Dutch goods.

We may be told, thirdly, that it means protection. Well, it may come to mean protection by-and-by. If the system should be introduced, it will depend very much upon the representatives of the colonies of the empire and of the United Kingdom whether it should be extended so far as to become protective in character or not. For the present, however, I do not aim at protection. I aim at something that shall supply a cohesive force to the empire, and shall at the same time provide revenue for defensive purposes.

We may be told, fourthly, that it would revolutionize the fiscal system of England. England nowadays obtains a revenue of 20,000,000 from customs. But that revenue of 1885 was levied upon imports, amounting to only 28,900,000, whilst articles free of duty were imported to the value of not less than 342,000,000. If the plan I have sketched were to work, the bulk of the articles imported into England should be taxed, however low the tax may be, or else some colonies might complain that they enjoyed no reciprocal advantages under the scheme. If England were to favour some classes of imports produced by certain colonies, but not those produced by other colonies, the plan probably would not work. If, for instance, wheat, which is a Canadian and Australian staple article, did not obtain this advantage, then Canada and Australia would hardly see the use of entering into the proposed arrangement.

As a fifth difficulty, it would probably be advanced that the food of the poor man in England would be taxed. Now, a tax of two per cent. or thereabouts would not raise the price of the bread of the poor man very much, especially as the poor man would get breadstuffs duty free from all the colonies—from Canada, Australia and India; and the grain-producing power of those and various other colonies might be developed to an almost unlimited extent, so that ultimately hardly any rise in price would be observed. I have no doubt that if the laboring population of England were polled upon the subject they would not consider this an insuperable objection, especially if it were explained to them that the scheme might result in the development of a better market for their own manufactures in the colonies.

There is another objection (6) which I believe to be of a somewhat more vital character. It is this, that the tax would be one upon the raw materials required for British manufacture. But it would be a tax not on all raw materials, but only on those not coming from the colonies. The colonies might develop their producing capacity to such an extent that, after the lapse of some years, the tax would hardly be felt at all in England. In this respect also the tax might be considered less objectionable if the English people found that the chances are that they would be indemnified for any loss they suffered by reason of a tax on raw materials by having a better market in the colonies than they have under the present system of free competition between foreign goods and their own all over the empire.

Then I have heard it said (7) that an imperial tariff would lay additional burdens upon the already over-burdened British tax-payer. I believe that it would not do so, but that, on the contrary, it would relieve the British tax-payer of some part of his burdens. The

British taxpayer for the maintenance of the navy singlehandedly. Under my present burden with the knowledge that the contribution of a new obtained a better in the colonies. Then it is us with the t might retaliate 2. I pose, by levy but they do trade, already levy protect trade. do levy high possibly they ist purposes not, under m in the coloni a certain per Supposing, proceed to le at present result might consumption countries w not the cons in foreign c present, whi creasing in t Another c Supposing t how are you be a voluntar May each co are you goin course coer question. the colonies that other c land going a against som going to giv United Kingm ential fiscal colonies the This, I believ ous objectio But most of of great m you go along if the plan colonies sh a very grea be derived v last one wo be none left Then if come you with legis also admini would fix u and a body from time reducing it in consults erament, n about the a In other w of limited f of the Brito ous colonie be a difficu cult, indee rights and as compone of the Imp various co wish those vocates of stand that smaller di to grapple larger me political fo which wou perhaps b federation imperial f to be thr utterly ho I have b salient diffi more to sta tain the co for bringin be that, as and as it this confe as well, n the vario together. attention already sa ible at pre deal will t the Impem ent, and an Parlia were not t the difficu an imperi creasing g greater a treaties, i of time w treaties v creasing c instead o