

secure special freight rates to certain districts, or provinces, under terms and conditions approved by the Dominion Railway Commission. The cost of carrying such a measure into effect should fall upon the "protective" revenues collected by the customs department. The nationalization of our railways would afford an opportunity to make transportation facilities serve such national ends. If, however, the interlocking of American railway freight rates renders this course impracticable other measures should be devised to overcome the difficulties referred to. A wider distribution of manufacturing industries might be directly encouraged by the government and this policy should receive equally the consideration of established manufacturing companies.

#### Tariff for Revenue.

It is evident that the largest revenue from commodities of general use will be obtained from a moderate or low tariff. "High" duties would lessen imports, since either the number of consumers will be reduced or the manufacture of the commodities will be engaged upon in Canada. In either case a reduction of revenue will result. The "commodities of general use" referred to are those conventionally accepted as necessities of life. A "low" tariff will not, however, produce the largest returns in the case of foreign luxuries and commodities which fashion has singled out for special approval. Duties even three times as high as these collected from necessities may not lessen the demand. The increased cost only makes the articles the more desirable as certifying the spending power of the purchasers. It has been said that the main object of luxurious spending is to put in evidence "the ability to sustain large pecuniary damage without impairing one's superior opulence." There is no good reason why governments should not assist in making luxuries self-evidently expensive. A tariff for revenue is best promoted, therefore, by low duties upon necessities of life and high duties upon all forms of luxurious commodities.

There is no room for party controversy in the statement that commodities should be easily and cheaply procurable in proportion as they are indispensable to life and health. If, under a "low" tariff, it is not possible to manufacture in Canada articles required by the least well-to-do citizens, such articles should not be made scarce or dear as a result of the tariff. Moreover, necessities of life are indispensable to production, and commodities indispensable to production are not proper objects of heavy taxation. This is but an indirect way of stating that a "protective" tariff has natural limitations.

Tariff rates should increase proportionately with the cost and fineness of the commodities imported. For instance, in case of floor coverings, some form of which is required in Canada owing to the climate, cheap and substantial carpeting, i.e., hemp carpets costing not more than 6d. per square yard, and wool carpets costing not more than 2s. per square yard, should be admitted at low duties, while higher grades of these materials, together with all qualities of Axminster, Brussels, Turkish, etc., should bear heavier import duties in proportion to their costliness. If, in the face of low duties, the manufacture of cheap floor coverings can be successfully engaged upon in Canada, so much the better, but if not, the general interest will not be served by their manufacture as the result of "high" duties.

Under the policy advocated, the cost of necessities would not be unduly increased, while the public generally would contribute to the general revenue. As some forms of general taxation are probably necessary, a moderate customs tax may be as little objectionable as any, since

the consumer may escape the tax if poverty compels the sacrifice of personal comfort involved in the failure to use "conventional necessities." Luxuries will be made expensive but the cost will fall upon those best able to bear it. Upon the other hand, if the consumption of luxuries is discouraged, capital otherwise consumed and largely wasted will be available for productive purposes. High duties upon all forms of luxuries will prove, therefore, of indirect as well as of direct benefit.

#### Tariff for Protection.

A tariff for "protection" usually becomes protective by the extent to which the duties upon finished products exceed those upon raw materials. A duty of 30 per cent. does not mean that the home product has a "protection" of the same amount. In the case of woollen clothing, the British preferential tariff is 30 per cent., while the intermediate and general tariffs are 35 per cent. The duty on cloth is the same. Cotton linings carry a tariff of 25 per cent. British, 30 per cent. and 32½ per cent. intermediate and general. Button duties are 20 per cent., 30 per cent. and 30 per cent. respectively. The net protection, therefore, in the case of woollen clothing may be, and in fact is, very "low" indeed. Nevertheless, owing to special features of this industry, it is carried on with great success in Canada. Cotton clothing bears a tariff of 25 per cent., 32½ per cent. and 35 per cent., while the duty on white cotton cloth is only 17½ per cent., 22½ per cent. and 25 per cent. Cotton laces and embroideries are dutiable 12½ per cent., 17½ per cent. and 20 per cent. The "protection" in the case of cotton clothing greatly exceeds that upon woollen clothing. In other cases differences in the net protection resulting from the present tariff are still more marked.

Owing to the present popular opposition to any increase in duties, manufacturers desiring added "protection" seek now to secure a reduction of duties upon raw materials rather than an increase of duties upon finished products. For instance, certain articles are dutiable at 22½ per cent., 30 per cent. and 35 per cent. The materials entering into these are, with one exception, admitted free of duty. The net protection is therefore high. While the consumption of these articles amounts annually in Canada to several million dollars, the annual importations do not exceed \$100,000. In another case the raw materials are admitted duty free while the finished products are dutiable 15 per cent., 22½ per cent. and 25 per cent. This commodity is of a class in which freight charges from competing foreign markets add a further protection.

A study of the Canadian tariff justifies the conclusion that it requires revision in order that there may be a more equitable distribution of protection where protection is necessary and a reduction of duties in the case of industries which do not require their present protection in order to conduct business successfully. Tariff problems are peculiarly complex and will remain obscure until information not now available is collected and analyzed. Without such information the tariff must continue to discriminate without reason and must favor without knowledge that favoritism is being shown. If we are to continue to obtain so large a proportion of public revenue from customs duties, it is of urgent importance that the actual "protection" resulting from the tariff should be measurably ascertained.

Obviously the ultimate measurement of a protective tariff should be the general interest. The added cost to the consumer must be justified by some present or future advantage. Possibly the period for which "protection"