

traders, Mr. Cobden, it was stipulated that the English should not charge upon any article of French production a greater sum than might be equal to the excise duty on the same article, together with an allowance for any extra and further charges to which the English producers might be put, in consequence of the necessary regulations of the Inland Revenue Department. When it became known that by the Commercial Treaty foreign spirits would be admitted for consumption at a rate of duty equivalent to that on British spirits, *plus* a surtax of two pence per gallon, the distillers represented to the Government that this surtax was "wholly inadequate as a compensation for the peculiar disabilities under which they carry on their manufacture." The distillers pressed upon the Government a differential duty of $\frac{1}{2}$ pence per gallon. The Board of Inland Revenue, after much discussion consented "to modify their regulations so as to reduce their restrictive operation upon the manufacturer to the lowest point;" and, taking also into account "an advantage which foreign spirits had when coloured, in consequence of the difficulty of ascertaining the true strength of spirits of that kind, a countervailing duty of five pence was therefore ultimately adopted, as that would place British and foreign spirits on an equal footing." (See Report of Commissioners of Inland Revenue upon the duties under their management, 1870.)

The above presents a direct recognition of the principle of a countervailing duty to place England upon an equality with other countries. In further illustration of this, reference may be made to the speech of the Chancellor of the Exchequer (Mr. Gladstone) in moving the resolutions necessary for carrying out the treaty with France. He said, "The Treaty proceeded on the principle that, in cases where a commodity was liable to excise duty in England, the same commodity, when imported from abroad, should be liable to a customs duty equal to the excise duty chargeable on it when produced at home, and, likewise, comprehending an allowance for any money charges which might be entailed on the home producer by the operation of the excise regulations. Upon a strict investigation it appeared that the differential duty of two pence established in our law between colonial and home manufactured spirits, which *prima facie* constituted the proper allowance to be made to the British distiller on account of the cost to which he was put by the indirect operation of the excise regulations, did not, however, amount to a full compensation for those regulations. It therefore became necessary to make some provision for putting the British distiller on a footing of equality with the foreign distiller, now that he was about to be subjected to a general and perhaps a sharp competition. The state of the case was accordingly made known to the French Government who met it in a spirit of the utmost liberality agreeing with the greatest readiness that the general principle of the Treaty which recognized compensation for excise regulations as well as excise duty, should be applied to this particular case with greater accuracy than in the body of the Treaty as it stood." (See Hansard, third series, vol. 106, page 1971.)

Malt is another case in point. "Under the Act 23 and 24 Vic. cap. 110, foreign malt, which was before absolutely prohibited, is now admitted on payment of a customs duty of 25 shillings per quarter. This sum was fixed, as Mr. Gladstone said, so as to cover the charges, additional to the duty, to which the manufacture of malt is subjected in this country by the restrictions of the revenue laws." The duty on foreign malt is now £1 4s. per quarter, while the excise duty on English malt is only £1 1s. 8d. per quarter.

On chicory the excise duty is 12s. 1d. per cwt., whilst the customs duty is 13s. 3d.

Chicory, malt, and spirits are the only articles of home production or manufacture upon which there is any duty charged, and in the case of all three it will be seen that the customs duty is in excess of the excise, and this excess is simply a countervailing duty.

There can, therefore, be no question as to the principle adopted, and, so far from a countervailing duty in the case of sugar being contrary to the commercial policy of England, its imposition would be in accordance with the above principle, and this has been admitted by the House of Commons again and again, and what alone prevents the Government from carrying out the same principle in regard to the British sugar refiners as is adopted in the case of British distillers, viz., "putting them on a footing of equality with the foreign" refiners, is solely because sugar is now on the free list.

It only remains to be pointed out that in the Sugar Convention of 1854, the principle of charging countervailing duties was distinctly recognised by the four contracting powers, of which England was one. Article 19 is as follows:—"The high contracting powers reserve to themselves to agree as to the steps to be taken for obtaining the adhesion of the governments of other countries to the arrangements of the present Convention. In the event of bounties being granted in the said countries on the exportation of refined sugars the high contracting parties will be at liberty to come to an understanding as to the surtax to be imposed on the importation of refined sugars to and from the said countries."

And upon the question of bounties as they affect the consumer, there is a great weight of authority.

In replying to a deputation of sugar importers and refiners, on April 10, 1875, Lord Derby said:—

"That he quite agreed as to the fact that cheapness was not, in the long run, likely to be promoted by this system of bounties, but that a temporary and artificial cheapness at the utmost would be obtained which might be followed by a permanent enhancement of the price."

Sir Stafford Northcote, in replying to the same deputation, expressed his entire concurrence with the views stated by Lord Derby.

Lord Derby expressed the same opinions still more emphatically in the House of Lords on July 22, 1875. "From our point of view," said his lordship, "it is also a question affecting the general interests of the public. We are convinced that any advantage of cheapness to the consumer which can be obtained by means of the bounty on foreign sugar will be temporary only, because, if the bounty were continued long enough, and raised high enough to drive the English sugar refiner and Colonial producer out of the market, then it follows that the foreign producer would get the monopoly of the market, in which case the price would not long remain at a low rate."

Lord Aberdeen, at the recent meeting of the British Association at Bristol, made the following remarks in the discussion of a paper which had been read upon the sugar trade of Bristol: "Of course it would be to the advantage of this country to reap the benefit of the cheaper productions of other countries. That was the true spirit of free trade. But the effect of these large bounties to the French manufacturer was that they were rapidly destroying the refining industry of this country. When it was destroyed the price of sugar would rise, and he need scarcely say that the result would be rather permanently to increase than to decrease the price of sugar. It was, therefore, as much the interest of the British consumer as it was of the French taxpayer, that these absurd and extravagant bounties given to the French refiners should cease. The reason they did not cease, he was convinced was, not that the French Government was not thoroughly persuaded that such a duty was unjust, but because the Protectionist spirit was so strong in France."

Lord Hampton spoke as follows at the meeting of the Society of Arts on December 8, 1875: "It was a great mistake to suppose that the interest of the consumer turned solely on a low price for the moment; and he remembered Lord Derby expressing very clearly in the

"House of Lords his view that of course it was to the interest of the consumer to buy low-priced sugar so long as he could rely on a continuance of that low price; but if the result was to injure the market, it must very soon turn out that the interest of the consumer had been injured rather than advanced."

Professor Leon Levi, (one of the greatest authorities on political economy of the present age,) took a similar view, when he said at the above-mentioned meeting of the Society of Arts: "Nor can it in the end prove satisfactory, even to the consumer in this country, to enjoy even the benefit of extraordinary cheapness, if, under the operation of such exceptional legislation, and a fallacious system of bounties, one by one all the refiners in England and Scotland should be compelled to close their works, and so leave the whole British market for refined sugar a complete monopoly for the French refiners."

We have proved this view to be correct, we have two large and important Canadian interests ruined, without any benefit being conferred upon any other. I have been told more than once by the present Canadian government, that we must not complain if a foreign country chooses to give its refiners bounties on export since the Canadian consumer reaps the benefit. You admit that the political economy involved in this notion is very shallow. The price of sugar depends on the supply ultimately, and not on presents made by countries to each other in the shape of bounties taken from the pocket of the taxpayers. These bounties disturb free trade, and tend not only to make refining impossible in those countries to which the bounties are sent, but they also, in monopolizing the refining trade of the country, giving its refiners bounties, discourage the grower of sugar by circumscribing the market for his produce, and consequently they reduce the supply.

The sugar refiners of Canada do not ask for undue protection, they do not seek to be supported at the public expense; what they say is, that if sugar is to be taxed it must be arranged that the method of taxation shall not interfere with free trade in sugar; and so long as this is their petition, it must follow that their interests and those of the public are identical.

Yours respectfully,

GEORGE GORDON DUNSTON.

Woodside, Halifax,
Nova Scotia, 11th June, 1878.

Commercial.

MONTREAL GENERAL MARKETS.

MONTREAL, June 27th, 1878.

The promise of an unprecedentedly abundant harvest is having a decidedly buoyant effect upon the minds of the mercantile community. Wheat in all parts of the West is so rank of growth, that it is feared it may be beaten down by every breeze or shower. In the East the Spring crops look remarkably well. Information from all parts of Nova Scotia shows that crops of all kinds promise well; the hay crop particularly, it is anticipated, will be very heavy. The feeling among country merchants, however, is expressed in our notice of the Dry Goods trade. The money market is very dull, and banks are having a rather quiet time of it of late.

ASURES.—Receipts remarkably light, yet the market continues quiet, and the news from England is not encouraging. Sales during the week 250 brls. at \$3.72 to \$3.75, with an occasional small bill of choice tares as high as \$3.80; Seconds, \$3.30 to \$3.35; Thirds, none. *Pearls*.—Receipts are very light, and prices are well maintained. We quote Firsts at \$5.80; Seconds, none offering. The receipts since 1st January have been 4,999 brls. Pots and 333 brls. Pearls; the deliveries, 3,702 brls. Pots and 705 brls. Pearls; and the stock at close of store on Wednesday, 26th June, was 3,191 brls. Pots and 281 brls. Pearls.