

lemen are reforming everything. Now, Sir, they might have gone in the direction I will point out. The customs duty, according to the new tariff, is \$2.40 per gallon on proof whisky; the excise duty is \$1.90 per proof gallon, leaving a difference between the customs and excise duties, of 50 cents per gallon. Now, what is the cost price of this article? I do not know whether the hon. gentlemen have looked into the matter, but the cost is not excessively large. A bushel of corn will make a fraction over three gallons of proof whisky—that is the estimate of the Department of Inland Revenue. The bushel of corn costs in Toronto now about 25½ cents, the duty additional is 7½ cents. But it was contended by the hon. member for East Grey (Mr. Sproule), and I think very properly, that the Government will not be able to collect that duty from the distiller. Suppose the distillers undertook to buy Canadian corn, which they can do to-day, and no duty can be imposed upon it; would the distillers have to pay duty then? I would ask the Controller of Customs if they would have to pay duty. I am sure they would not. Then they can buy Canadian corn, or they can buy American corn either, and what is to prevent the farmer from buying a carload of corn, and teaming it in on his wagon, and bringing it to Gooderham & Worts's distillery, or Seagram's distillery, or any other distillery in Canada—what is to prevent them from doing that and selling his American corn there, without paying duty, and nobody paying duty? Can the inspector tell Canadian corn grown on one side the St. Clair River, from American corn grown on the other side? They cannot do it. Therefore, I say that the proposed imposition of 7½ cents per bushel on the Canadian distiller will be ineffective, you will not be able to collect it. Now, even if you add the 7½ cents to the 25½ cents, the cost of the corn, and you have 33 cents for a bushel of corn that makes three gallons of whisky, that is, at the rate of 11 cents per gallon of proof whisky that has to be kept several years. There is the cost of manufacture, which I think the value of the offal will about meet; but at any rate, allowing a liberal margin for the cost of manufacture, keeping it two years, interest and insurance—the whole put together would not bring this whisky up to a cost price of 15 cents a gallon. Then you are going to have the protection. A protection is the difference between the excise and the customs, which is 50 cents a gallon to-day, and you are giving on an article that cost 15 cents, a protection over the importer of 50 cents a gallon, or 333 per cent.

Mr. McMULLEN. You gave them 55 cents.

Mr. WALLACE. I said that. I said of course we might be open to that imputation. The hon. gentleman is not stating anything new.

Mr. McMULLEN. It is new. You want the House to think it is higher now than it was before.

Mr. WALLACE. I did not say anything of the kind. I said that the charge might be made that when I was on that side of the House, I did not call attention to this fact. I am calling attention to it now, at any rate, I am putting it on record; and the only question is, not whether I have been derelict in my duty, but whether the Government, when the facts are brought to their attention, are going to adopt any measure in order to raise more revenue. I think in that way they could have protected the revenue better, because, in my opinion, they have exceeded the limit of making the duty on whisky, revenue producing. The excise duty in the United States is \$1.10 per wine gallon, which makes the duty \$1.32 per Imperial gallon. Now, if they pay excise duty in the United States, they still have \$1.08 protection on every gallon as an inducement to smuggle it into Canada. If they bring in a 40 gallon barrel, they will have \$40 clear after paying a cost of 8 cents a gallon to bring it in under ground. So I say I think the Government have gone beyond the limit; we had reached the limit ourselves in making the duty \$2.25, and the Government have gone beyond the limit of the revenue producing powers of this customs duty. Now, with reference to tobacco. The excise duty was 25 cents a pound, they have added 14 cents per pound, making it 39 cents per pound. Without doubt they have made a great mistake. Why, Sir, what is the history? If they look back at the returns of 1884, they will find that when the duty on tobacco was 12 cents a pound, there were eleven millions pounds of tobacco imported for manufacture here. In 1886, the Government in the meantime having increased the duty to 20 cents per pound, the quantity fell to 8,500,000 pounds, or 2,500,000 pounds less were imported. Do hon. gentlemen opposite mean to say there were 2,500,000 pounds less consumed? Not at all. The increased duty could not make very much difference, a difference perhaps to the extent of half a million pounds; so 2,000,000 pounds are to be accounted for, and the only way to account for them is by stating that they were smuggled into this country.

I desire to say a few words with respect to the present duty. The excise duty, as the Finance Minister explained, is 39 cents per pound. The Americans pay an excise duty of 6 cents per pound, and accordingly on tobacco smuggled across to Canada the smuggler makes the difference between these two amounts, or a profit of 33 cents per pound. On a 20 pound caddy he accordingly makes a profit of \$6.60. The Government here made a great mistake in increasing the duty, and at the end of the year they will not show that more revenue has been collected, but