becomes a deficit of $130,000,000. The balance sheet would have read as follows:—

Total expenditure	$849,000,000
Total revenue	219,000,000
Deficit	$130,000,000

But the balance sheet leaves out items for investment and capital outlays. It is quite reasonable to omit these in presenting a balance sheet showing ordinary revenue and expenditures, but the actual balance sheet for the year ending March 31st, 1920, if Canada is to pay as she goes, should read as follows:—

Consolidated fund ordinary expenditure	$349,000,000
Investment and capital outlays	187,856,991
Total	536,856,991
Revenue	388,000,000
Deficit	$148,856,991

Assume that we had free trade and did not secure the customs revenue of $169,000,000. In that case, the deficit would have been $317,856,991.

For the year ending March 31st, 1921, the Minister of Finance, in his budget speech, estimated that the balance sheet will be:—

Estimated expenditure (including capital outlay)	$549,649,428
Estimated revenue	381,000,000
Estimated deficit	$168,649,428

Adopt free trade, lose the customs revenue, which he estimated at $167,000,000, and the deficit will be $335,649,428.

Those who would abolish the Canadian customs tariff and thus lose the revenue which it produces, suggest that this revenue should be replaced by the imposition of the following taxes—a direct tax on unimproved land values and natural resources, increased taxation on personal incomes, increased inheritance taxes, and increased taxation on corporations. As to taxing unearned increment as such, no objection is offered, but it must be remembered that vacant land now pays taxes to the municipalities and in some provinces additional taxes to the provincial government. In fact, much vacant land has been given up by the owners in preference to paying the taxes now imposed. Single tax has not stood the strain of financial depressions. Income taxes are now paid by individuals to the municipalities and also to the Dominion Government. Inheritance taxes are now imposed by all the provinces. Corporations are taxed as persons by municipal governments, provincial governments, and the Dominion Government. and also pay special taxes to every province for the privilege of being corporations. It is submitted that the suggested forms of direct taxation, while capable of some extension, cannot produce in one year the huge sum of $335,000,000 (or almost the entire present revenue of Canada).

The fact that the per capita amount of revenue raised by the tariff is greater in Canada than in the United States is often used as an argument that the Canadian tariff is too high. The explanation of the fact is simple. The United States imposes a high tariff on imports which compete with domestic products. But, because the United States has built up home industry by constantly adhering to the protective principle for 131 years, comparatively little is imported. Consequently, the amount of duty collected is smaller per capita than in Canada, not because the United States duties are lower, but because the volume of imports if comparatively much smaller.

Why Canada Needs Protection Against the United States

The overwhelming commercial weight of the United States, coupled with our geographical position in relation to that country, must be considered in framing all trade legislation affecting Canada's national growth and development. That country, with a population of 105,000,000 buys from this country of 8,000,000 people only about one-half the value of the goods which it sells us. Our exports to the United States and imports from the United States each year since 1907 follow:—

Value of Imports from United States

Fiscal year.	Amount.
1907 (9 months)	$155,943,029
1908	210,652,825
1909	180,026,550
1910	223,501,809
1911	284,934,739
1912	356,354,478
1913	441,141,562
1914	410,786,091
1915	428,616,927
1916	398,693,720
1917	677,631,616
1918	791,906,125
1919	746,920,654
1920	802,096,817

Value of Exports to United States

Fiscal year.	Amount.
1907 (9 months)	$79,021,480
1908	118,520,500
1909	92,604,357
1910	113,150,778
1911	119,396,801
1912	120,534,634
1913	167,110,382
1914	200,459,373
1915	215,409,326
1916	320,225,080
1917	486,870,690
1918	441,390,920
1919	477,745,659
1920	464,029,273

Last year, each inhabitant of the United States bought $4.41 worth of Canadian goods, while each Canadian bought $100.26 worth of United States goods. Significant also is the fact that our purchases from the United States were largely in manufactured goods while their purchases from Canada were chiefly raw material. It is not surprising that the rate of exchange is against Canada and that our money is at a heavy discount in the United States. This is the situation with a Canadian tariff. What would it be if the tariff were abolished?

The United States, even under the present customs tariff, which represents the policy of the United States low tariff political party, still highly protects those industries which need such protection as a safeguard for development: and we must not forget that even those manufactured