

a large portion of this—possibly not less than \$500,000,000—is represented by expenditures not immediately productive. This indebtedness alone forms an insuperable obstacle to a self-contained policy. With a population of only eight million people we must bear a heavy burden of debt which can be carried and liquidated only by national economy and increased production for export. A careful consideration of all the facts will justify the conclusion that export trade must, for many years, prove the life-blood of Canadian industry.

As stated already, the tariff should not be designed wholly for the benefit either of capital or labor—the interest of the consumer being of equal importance. So, too, the cost of commodities largely governs the cost of production in general and is, therefore, of prime importance in its effect upon export trade. We can sell in foreign markets only if we can market our products successfully in competition with the world. To do this profitably demands production at a minimum of cost or other compensating advantages, and a careful adaptation of our natural resources to world requirements. It would be little short of economic suicide to allow the working of the tariff, directly or indirectly, to handicap this production; on the contrary, private enterprise and public policy must unite carefully and deliberately to promote foreign trade. The third section of the tariff is concerned, therefore, with commodities connected directly with production for export and, as an inseparable accompaniment, with the necessaries of life for home consumption.

In considering the disadvantages which would be incidental to protective duties in the case of such commodities many matters call for careful consideration. Among these are (a) the market prices of necessaries of life in Canada compared with countries which produce in competition for foreign trade; (b) the relative advantages in cost of production, including necessarily the efficiency of labor; (c) trading advantages resulting from favorable costs of transportation and trade treaties.

Protective duties can find no justification if they place Canadian products at a disadvantage compared with competing products; on the contrary, it may be found that necessaries of life, basic raw materials and other commodities required for production should be admitted into Canada duty free. This principle already obtains to some extent in the Canadian tariff; it calls for wider and systematic application. Rebates of duty upon exports in some degree rectify the ill effects of such taxation. There