

Of course, the Minister understands that the protection is the difference between the Customs and the Excise duty, less the amount of duty on the corn they import, and he is giving them a vast increase of protection, when what they had before was thought to be ample.

Mr. BOWELL. The hon. gentleman is correct, basing his argument on the supposition that all the spirits which will be entered for consumption would first have remained in bond for twelve months, in order to enable them to take advantage of the shrinkage. But that cannot possibly arise until next year, and that going into consumption will be of the same quality as that which has gone into consumption in the past. If, however, hereafter, they enter any spirits for consumption, except that which has been in bond for twelve months, and they take advantage of the shrinkage, which, of course, they will, if it is in bond, it would reduce it to that extent. Still, the hon. gentleman will see that it will add just that much to the revenue, which will be a still greater protection to that extent to the article produced in the country. From the revenue standpoint, it will be collected from Excise rather than Customs; I do not know that it makes any particular difference. If the foreign spirit is kept out, and a larger quantity is manufactured here, the revenue will profit to that extent.

Mr. BLAKE. When the proposition was brought forward, awhile ago, for the drawback or discount, we were told that 5 cents increase of duty was to be made as a compensation. The Ministerial proposition was, of course, considered; I presume it was not bungled and that it was accurate and well weighed. If so, it was thought necessary then to impose 5 cents, in order to compensate for the expected loss of revenue, by virtue of the operation of the proposition of the Bill which has gone through the House; otherwise, the Ministerial proposition was ill-advised and mistaken. They told us the plan was a complete one, whereby certain allowances were to be made to the distillers to compensate them for the increase of duty. One was to balance the other. Now, what the hon. gentleman says is that very little of that 5 cents will be used during this year, and, no doubt, less this year than in future years, and it will not be necessary then. If we are to calculate for some time, very little will be used, and then we must assume that it was a premature proposition altogether to have suggested this 5 cents duty, to publish it in the papers, as it was for weeks, before the discussion in the House. Now it is dropped, apparently on the theory that it will not be wanted for a good while, and it will be time enough to put it on when the revenue requires it. Now, that was not the view taken the other day in discussing this question. At first the Minister of Inland Revenue was disposed to take that view, but my hon. friend from Brant explained that evaporation would be going on, and he acknowledged that something would have to be done to remedy that difficulty. Then I think we should learn from the Minister what the real gist of his proposition is with regard to the protection. As I understand, the distillers are at present a close corporation, agreed with one another, and they have fixed a scale of prices, which are just about up to duty point, that is, just as high as the duty will permit the distillers to place them, and avoid the importation of foreign spirits. They are therefore taking the whole or nearly the whole advantage of their protection, which is in the neighborhood of 30 cents on the gallon. If I understand the present proposition, it adds about 50 per cent. to their protection, the difference in the Customs and the Excise being about 15 cents a gallon: and the distillers, owing to their small numbers and their agreement, are a practical monopoly, and take the full advantage of the protection. The practical result of that is that the revenue does not gain to the amount of the Customs duty, but only to the amount of

Mr. PATERSON (Brant).

the Excise duty. Of course, we know that certain kinds of spirits will be imported from time to time, and in that respect the revenue will make some gain; but the vast mass of the revenue will be regulated by the Excise, and not by the Customs duty. The result of making such a large increase in the Customs over the Excise duty will be to increase the price to the consumer without increasing the compensation to the revenue to the same extent; and the price being increased to the consumer to that extent, there will be those temptations to smuggling and illicit distillation which have been mentioned more than once in connection with the raising of the duty on spirits. I do not know of any article of consumption which is better calculated to bear a share of the public burdens than this very article, and I have always favored placing the duties as high as practical revenue purposes would permit; but it seems to me that the hon. gentleman's combined proposition of increasing so much the Customs duty relative to the Excise duty will incur a considerable danger from smuggling and illicit distillation beyond that which would be incurred if he kept the Customs duty down to something more nearly approaching the Excise. I should be glad to learn from the hon. gentleman whether I am substantially correct in my view as to the increased protection his proposition produces.

Mr. BOWELL. I do not think there is any difficulty in arriving at the amount of protection given by looking at the figures. We increase the Excise duty 30 cents, and the Customs duty from $32\frac{1}{2}$ to 75 cents; so that the increase in the protection would be just the difference between the two, which would be about 50 cents. But, as I explained this afternoon, there is no protection to that extent.

Mr. BLAKE. On account of the corn.

Mr. BOWELL. Not so much on account of the 5 per cent duty on corn, although that does reduce it, but on account of the system that prevails in the United States, of granting a bonus on exportations; so that the duty does not afford the amount of protection which it apparently does on its face. Under the $32\frac{1}{2}$ cents, there was really no protection at all, considering the price in the United States. However, I do not suppose the hon. gentleman's argument is in favor of having cheap whiskey in this country, or of enabling the importers to bring in the foreign article, in order that that might be consumed at a cheaper rate than that manufactured in this country. As I understand, he complains that we fix the duty on the foreign article too high, thus giving a greater market to the home producer, while we collect less duty than would be collected from Customs duty if it was a little lower—in other words, that we should collect more from Customs duties at a lower rate, and less from Excise. The intention of the Government in these resolutions is to put the Excise duty just as high as they thought the article could bear, so as to prevent illicit distillation, which has gone on in the past and may go on in the future, and to place just as high a duty on the imported article as they thought it could possibly bear, without encouraging smuggling to any greater extent than it is carried on at present.

Mr. PATERSON (Brant). As I understand, the Minister has abandoned the 5 cents a gallon to cover evaporation; nevertheless, he allows 5 cents a gallon on the evaporation, which virtually makes the increase in the Excise duty 25 cents a gallon. The home manufactured article will then be \$1.25 a gallon and the foreign imported liquor will be \$1.75. The Minister will see at once that there is a protection of 50 cents a gallon given to the distiller.

Mr. BOWELL. Less the duty on corn.

Mr. PATERSON (Brant). Under the old tariff he had $32\frac{1}{2}$ cents a gallon of protection, and that worked very well. As the hon. member for West Durham pointed out,