

such temptations as tax exemptions, or a bonus or some valuable privilege. On sound economic grounds such legislation is above criticism. But the necessity for it as a protection to this city is heightened when we consider that, in all probability, those adjoining municipalities in a few years will be annexed to Montreal, when the civic obligations incurred by their exemption from taxes, their bonus grants and valuable privileges would, to some extent, be placed upon the shoulders of our citizens whose property and whose enterprises had been injured by those grants. In Ontario the municipal bonus system was pushed some time ago as to make a number of cities and towns very active competitors with each other in efforts to secure the establishment of factories or mills in their midst. Not only were projected enterprises offered inducements by these civic competitors, but those already established were tempted by all manner of baits to abandon their works in one place and remove to another where special inducements were offered. A very bitter feeling was thus engendered between the people of cities and towns whose local industries were thus attempted to be drawn away. In cases known to us firms put their establishments in the market by offering to settle wherever the bonus or the exemption was the highest. The result was that some establishments which were fast drifting into failure pulled up stakes and removed to a municipality where their debts were paid off by a bonus that was very welcome to their creditors, but not large enough to stave ultimate insolvency. In other places the rate-payers are realising that exempting a manufactory from taxation, or granting a bonus to an enterprise, does not necessarily ensure an adequate return.

Others have seen both their bonus and its recipients both disappear, "like the baseless fabric of a vision leaving not a wrack behind," except a closed factory and an item in the debt account on which yearly interest has to be paid. In the Session of 1897 an Act was introduced into the Ontario Legislature to restrain municipalities from granting ill-judged exemptions or bonuses to manufacturing enterprises. This Act read, "Every by-law for such exemption must receive the assent of two-thirds of the electors on the voters' list qualified to vote on such by-law."

Although such an Act is well calculated to place a wholesome check upon the imprudent granting of exemptions or bonuses, it still recognizes a vicious and legalises an indefensible principle. Our municipal institutions were established, and the powers of a self-governing community were conferred by Parliament, and the constitution, not to build up local industries on a basis of capital raised by taxing the whole body of rate-payers, but solely to establish and maintain such local services as are necessary to the peace, the protection and the health of the citizens. However keenly we may realise that it is a fundamental and indispensable condition of all progressive human society that a large aggregate of capital is available for its requirements, we cannot regard it as a legitimate exer-

cise of municipal powers to raise capital for or in aid of a private enterprise. Such a policy is a form of communism which strikes at the very basis of modern society, which involves this principle, that the enjoyment of the advantages of capital by any individual must be removed by personal or inherited industry, self-sacrifices and wise judgment, and not derived from the involuntary gifts of others by a system of taxation. If men may secure capital by lobbying a city council, or by demagogic appeals to the more illiterate and impecunious voters of a municipality, it is idle to expect that they will exhibit the self-denial and providence through the exercise of which capital is, and has been, brought into existence, and by which, combined with experience and skill, an industrial enterprise can alone be a success. Surely it needs no argument to prove that every citizen is entitled to the privileges of citizenship if he observes the laws, equally with his neighbours, according to his just needs. But, if a municipality grants one trader exemption from taxation, such trader becomes the enjoyer of a privilege denied to all other citizens, which is enjoyed at their expense. To levy a tax upon one class of manufacturers in order to provide another class with capital, or with annual subsidies in the shape of tax-exemptions, is so inequitable as to be beyond defence. We have known a case of a city indeed being so misled as to grant exemption from taxes to an enterprise which was established to compete with one already founded whose proprietor had to contribute towards a business rival's resources. Such a policy has defeated its own ends, for, after a town in Ontario had granted a bonus and tax exemption to a factory which was a very insignificant affair, the existence of that enterprise prevented another being established in that municipality which would have added largely to the population and probably drawn other manufacturers to the same place. A bonused and exempted enterprise is not a fair rival to private capital, and capital is very apt to give a wide berth to any place where it is subject to inequitable treatment, or any form of unfair discrimination.

The exemption of machinery from taxation is not amenable to the above objections inasmuch as it is injurious to the welfare of any community to place fiscal burdens upon a mere instrument of production as thereby the cost of the articles produced by the aid of machinery is enhanced to the detriment of the local trade where such a tax is levied. It is also an objectionable tax because machinery has no fixed market-value, to-day it may be worth, say, \$1,000, and to-morrow its value may be only nominal owing to its being superseded by some new invention or improvement. This form of depreciation is going on constantly, and causes a perpetual wiping out of capital invested in machinery. Some years ago the whole machinery of English flour mills was rendered nearly worthless by Brownwell's patent, and our cotton and other factories are liable to very serious losses by their machinery becoming obsolete. A producing instrument