to trade within the empire, instead of making such trade more difficult as he is doing by the proposed three per cent tax. This tax, indeed, may be the means of entirely shutting out some British goods, especially when it comes on top of existing tariffs. As a preliminary to the conference, it would be an admirable step, just now when the minister is proceeding with his bill, to have it so amended that the three per cent tax will not apply to commodities coming from different parts of the British Empire.

Mr. RHODES: I cannot agree with my right hon. friend when he says that the people of the mother country have granted us a concession permitting us to trade with them on the same basis as they have allowed the whole world to trade with them.

Mr. MACKENZIE KING: Not a concession. We have been in a favoured position in the British market in that we have been able to sell our goods on exactly the same basis as has the British producer or manufacturer. There has been no handicap of a tariff, except in a limited way, over which our commodities have had to pass before entering the British market.

Mr. RHODES: That is not what my hon. friend said before. He may not have said then what he intended to say, but he said something about a concession having been granted to Canada and not to another country.

Mr. MACKENZIE KING: I was speaking only in relation to trade between Canada and Great Britain.

Mr. RHODES: When I spoke of our having given Great Britain a preference for a quarter of a century, I was not for a moment attempting to weigh the question of advantage to one side or the other, nor had I that in mind. I was dealing with the mere fact that there had been for that period of time a preference in this market to the mother country which we did not give to countries outside the empire. It may be that this three per cent tax is some handicap to business, but I submit that the people of the mother country, with the fairness which has always characterized them, would be the first to concede that it is purely a revenue-producing measure. My right hon. friend has suggested that, as a gesture prior to the conference, we might eliminate the three per cent tax in favour of the importation of British goods. Apart altogether from the wisdom of taking a step in advance of a conference where these questions should be a matter of discussion, let

me point this out to my right hon. friend: If we did that, to the extent that we failed as a result to derive revenue—and we would lose revenue to a very substantial sum—to that extent we would have to impose additional taxation upon the people of Canada to make up the difference. Wherever the money comes from, we must have a certain revenue and it remains to be determined what avenues we should pursue in obtaining it. From that point of view I do not subscribe to the suggestion of my right hon. friend that it would be the part of wisdom for us to take the action he suggests. That is only my view, but I have it clearly in mind that that is the position which would appeal to the sense of fairness and justice of the British people.

Mr. MACKENZIE KING: I do not wish to prolong the debate on this point; on the other hand I do not wish the minister to run away with the idea that he is going to secure revenue by adding a tax which, when placed upon the present tax, will have the effect of practically prohibiting trade. As our tax against Great Britain stands at the moment, there is very little preference left. A preference given to Great Britain means nothing unless the actual rate of taxation allows some British goods to enter this country. The rate of taxation with respect to most British goods, particularly with this three per cent added, will be prohibitory, and, to the extent that it is prohibitory, the minister will derive no benefit whatever. With this three per cent tax off, a little trade might trickle in, and to that extent there would be some revenue, so that it would be helping both the revenue and conference to take the step I suggest.

Mr. YOUNG: I think if the minister would study this question carefully he would agree that the leader of the opposition was right when he said that this tax would work out closer to four per cent than three per cent because it is levied on the duty paid value of the goods. In fact, in cases where the duty has been raised one hundred per cent, it will work out to as much as six per cent.

In an unguarded moment the minister referred to this tax as a duty. I am not going to quarrel with him over the name, but it has all the earmarks of a duty and it works like a duty; that is, it is imposed on all goods coming through the customs.

Mr. COOTE: When is a duty not a duty?

Mr. YOUNG: When you can evade it.