allow for these contingencies, so that if an *ad valorem* duty of ten per cent. were imposed on all imported steam-engines, and if that duty had the effect of establishing their manufacture in the colony, the consumer would virtually pay no more for his home-made article, even were the home manufacturer to take the full benefit of the duty, than the same kind of article would have cost him before its imposition, while the colony would be the gainer by the establishment of a permanent industry. We are aware that this latter advantage is considered to be an illusory one, as capital and labor, it is alleged, would only be diverted from one industry into another, without any real benefit to the country. To this we answer, first, that this objection would have no force whatever, unless the *whole* capital and labor of the country were already fully and remuneratively employed (a supposition never yet realized in any country); and secondly, even if it were so, these objections could have no weight with those who believe in the doctrine of demand and supply, for if the creation of a new industry withdraws capital and labor from an old one, other capital and other labor will flow into the latter from other quarters, and so it would go on, till every vacant place was occupied by fresh capital and labor flowing in from abroad—that is always supposing the industries to be remunerative ones.

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We have now, we think, shown that, under certain circumstances, the imposition of an import duty has the effect of encouraging local competition, the necessary result of such competition being a reduction in price. But we may be asked, Supposing the duty had the effect of merely substituting the local for the foreign product, that no reduction in price followed, nay, that the price was actually increased, owing to the local producers taking the full benefit of the import duty; would not the consumer, in such a case, be worse off than before, and the State none the better from being deprived of the revenue from the import? Would not the producer be the only one that would benefit by the change, and would not the consumer be robbed for the benefit of the producer? Political economists of the English school tell us that this would be the practical result. But this would be to assume, first, that the impost is so high as virtually to prohibit foreign competition, which would be contrary to the principles here laid down, which are based on a system of equivalent taxation, such as experience has demonstrated to be adapted to encourage, not to prohibit, competition; and, secondly, that if local producers had the field to themselves competition between one another would cease. We cannot admit either assumption. The more equally the local and foreign producers were made to contribute towards the revenue, the keener would be the competition between them, and the same principle would hold equally good in encouraging competition among local producers, if the foreign producers were out of the way.

But even admitting the premises, we demur to the conclusion drawn from them. We maintain that neither the consumer, on the one hand, nor the State on the other, need suffer any loss by the impost. Regarded simply as such, no doubt the consumer would be out of pocket by the transaction (that is, supposing the duty was not intercepted); but regarded, as undoubtedly we ought to regard him, as a member of the community, the expenditure may ultimately be repaid him with interest, and the State also may gain indirectly much more than it has lost from being deprived of the