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TORONTO, FRIDAY, JUNE 18, 1897.

THE SITUATION.

To the Imperial Confederationists Mr. Laurier appears to have caused some slight disappointment, by his speech at the Liverpool banquet, presided over by the Duke of Devonshire. The Duke seemed to indicate a readiness of the Imperial Government to make some retrocession from the rule of free trade. Instead of encouraging this idea, Mr. Laurier said: "By our tariff we, in Canada, give you preference as a free gift; we do not desire you to abandon the great principle of free trade; we desire rather to follow in your trade-lead, trading where trade is most natural. Protection must weaken you, and so hurt the Empire and us as a part of it." The significance of this utterance lies in the fact that the first essay at tariff reform, under Mr. Laurier, can only be taken as indicating the direction in which his ideal would take us, and it would take us very far. As the utterance is not at all rhetorical, there is nothing to be retrenched on that score. No statesman holding the opinions and having the aims of Mr. Laurier, could begin their realization in a milder or more tentative manner. He is a man who takes note of every obstacle, and he will meet with many to impede his onward path. In his Liverpool utterance he merely indicates a preference for one of two paths: for free trade, as against commercial imperialism; and in this he has reference chiefly to what would, in his opinion, be best for Great Britain; he believes that she will do best to adhere to the policy of free trade. In the name of Canada he only indicates a desire rather to follow the trade policy which has ruled England since 1846, than to enter on the more restricted policy of preference within the Empire. The assurance given by Mr. Laurier in Canada that as a rule manufacturers would not be hurt, might, at any time, have been read in the light of the views which he was known to hold. Only as a contingency with two sides to it can these views be said to indicate his ultimate aims.

In the item of coal duties thet country fares better than the threatening outlook at the beginning of the session gave reason to fear. Anthracite coal escapes duty altogether, as before, and the duty on bituminous is reduced from 60 to 53 cents a ton of 2,000 lbs., which is equivalent to the duty which the American Senate favors. Here is a touch of reciprocal concession on an important item in the tariff. This item is not yet finally accepted by Congress, but Mr. Fielding feels confident that the 60 cents duty will stand. There are other items on which an informal agreement by the two countries would be much better than the play at cross purposes which is threatened. In this game, Canada will act, if at all, only on the defensive. Our House of Commons has sanctioned the giving of power to the Government to put an export duty on logs. The proposal to levy such a duty does not rest on the merits of the duty, but is simply defensive. The day may come when such a measure will be defensible on its merits. If pulp-wood were likely, within a time which admitted of reasonable estimate, to become scarce, and not more than sufficient to supply our own wants, we might reasonably put an export duty on it, or even prohibit its exportation. But we are not yet in the presence of such a condition and many years must elapse before it arrives. Meanwhile we arm the Government with exceptional power of protection, which we would fain hope they may not be called upon to exercise, but if the emergency calls for it, this power must, with whatever reluctance, be called into activity.

One feature of the grant of $3,630,000 which the Government has come under agreement to make to the Canadian Pacific Railway Company in aid of the Crow's Nest Pass road, distinguishes it favorably from former unconditional subsidies to railway companies. The C. P. R. has to make some return for this grant, a fact which, let us hope, may prove the starting point for putting such subsidies on a better footing than heretofore. In consideration of the grant of this large amount, the company undertakes to do three several things, besides building the road, two of them absolutely, one contingently; to permit running powers over the line to other railway companies, to make reductions of freight, and, if it gets coal lands from British Columbia, to transfer 50,000 acres of them to the Federal Government. Though the item of coal lands is put hypothetically, the transfer does not appear to be a doubtful contingency. These lands were granted by the Local Government as a railway subsidy, and if the C. P. R. stands in the place of that company and performs its obligation to the province, the consideration must pass to it as the assignee of the original company. The value of these lands ought to be considerable. Much will depend upon the way in which their utilization will be effected.

These coal lands, a gift of nature to the province, when given as a subsidy, stand in the place of capital for so much. They can be utilized in building a road only by the intervention of somebody's capital. This might be done by transfer or lease. For the 500,000 acres which go to the Dominion Government, pay is given out of the $3,630,000, miscalled a subsidy, to the extent of the value of these lands, as they stand to-day. The Government grant is a payment of purchase money. The abstention of the company to exercise its right legally to charge its present hight rates of freight, is another purchase made by the Government. The franchise remains in the company, but it must be exercised