

the tax was to close a large number of the smaller mills throughout Italy, leaving the tax to be paid by the owners of the more efficient mills out of the profits of their larger business.* So with the English shipping dues, which, as a matter of fact, are not paid by the merchants or consumers but by the shipowners. In answer to a deputation which waited on the Chancellor of the Exchequer recently, Mr. Lowe, adopting the popular view on this question, attempted to explain that the shipowners did not pay the dues out of their own pockets; that they only advanced the money to the merchant; that the merchant again indemnified himself by raising the price of his goods to the consumers. But it appeared that in this particular case Mr. Lowe's theory did not square with the fact, as the deputation, which consisted of the leading shipowners in England, positively assured him that no such transfer took place, and that they, and they alone, paid the dues. The deputation further explained that the shipowners adopted this course because they found it inconvenient to adjust the charges to their particular business, owing to the smallness of the amount.

We now come to an entirely new class of phenomena, when the incidence of taxation becomes a matter of secondary importance. A tax may, under certain conditions, have the very opposite effect from which it usually has, for instead of increasing the price of the commodity taxed it may have the effect of diminishing it. An import duty has this effect when the country imposing the duty has facilities for producing the commodity which it taxes. Of course the reduction in price in such a case is a question of time, depending upon the energy with which the manufacture is taken up, and the facilities for obtaining the requisite capital, labor, and raw material. The manufacture of cotton in the United States furnishes an illustration of the effect of import duties in this respect. In 1816 Congress passed a tariff, imposing a duty of 25 per cent. on all cotton fabrics entering any port in the United States, the cotton manufacture in that country being just then in its infancy, and struggling against excessive imports from abroad. This high duty was continued, with slight modifications, till 1834, when it was somewhat reduced, but before the reduction took place the manufacture of cotton, particularly the coarser kinds of fabrics, had been thoroughly established, and the United States, from being an importer had become a large exporter of this class of goods. From the evidence given before the Select Committee of the House of Commons on imports, in 1840, it was indisputably proved that American cotton goods had, previous to this time, been sold in the East and West Indies, in the Brazils, and in other South American States, at a lower price than the same kind of goods made in England could be sold for.

A high duty was also about the same time imposed on leather, wooden and iron ware, tools and implements of all kinds imported into the United States, and the consequence was that importations of that class of goods have gradually decreased, and cheaper home-made manufactures have taken their place. American-made boots and shoes, carriages, and numerous other articles of manufacture now compete in the world's market with the cheapest products of British workshops, while in the case of mining and

* Finance Minister's Statement for 1869.