

revenue requirements of the several parts of the Empire. The total customs duties collected in the British possessions, excluding the United Kingdom, during the year 1890 approximately (in some cases the twelve months end earlier than the end of the year) amounted to £21,600,000, equal to about 9 per cent. on £238,000,000 sterling, which was the value of the total imports, including bullion and specie. This amount of imports was, in round figures, divisible as follows:—

Imports into British possessions from United Kingdom	£124,000,000
Imports into British possessions from other British possessions	65,000,000
Imports into British possessions from foreign countries	49,000,000
	£238,000,000

Although the average of customs duties on the whole importations into the British possessions amounted to about nine per cent., the duties varied widely within the several possessions. This will be realized when it is stated that the duties on the imports into Australasia averaged 12.7 per cent., Canada 19.6 per cent., and Cape of Good Hope 13.1 per cent. To some extent these heavy duties are, no doubt, due to the proclivities in favour of protection to afford employment to the people, but they also are largely owing to the heavy revenue requirements of the sparsely populated enormous territories.

Great Britain during the year 1891 raised customs duties to the amount of £19,400,000 on a total importation of £435,000,000, equal to an average of 4.48 per cent. But the duties were really levied on only £30,000,000 of the importations, so that these £30,000,000 were taxed by customs duties no less than 64 per cent. These figures show that any arrangement made in the nature of a customs-free exchange throughout the British dominions will require adjustments to suit the revenue requirements of the several parts. What will be too much for some will be too little for others. It is important to observe that with the free exchange proposed the changes on the present system will be as follows:—

The United Kingdom will lose large revenues on the present dutiable goods which will be supplied from the British possessions; it will also lose in excise duties unless it differentiates against its own productions.

The colonies will lose the major part of the duties on which they now depend. It may be necessary—of which more anon—to make some special provisions or exceptions with regard to certain commodities. But it must be remembered that the United Kingdom has great facilities for varying its taxation, and that the British possessions, with their productions enormously increased, will be very different from what they are now.

To return to the point before alluded to—the means of bridging over the time it will take to qualify the British possessions to supply the United Kingdom with a large portion of the imports it now derives from foreign countries—there are two ways to effect the object. The necessary stimulus may be given by a differential tax on foreign goods, or by a bounty or bonus on the productions of the British possessions. If the first were adopted there would be a danger of increasing the price of food to consumers, and of raw materials to manufacturers, for a more or less lengthy period. It is true that in the case of some productions the risk might be small because of the early effect of the stimulus, but even as regards such productions temporary causes might interfere with the expectations formed. A full trial of the plan applied to a variety of productions could not be made without the risk of a prolonged dislocation of the fiscal system and its effects which now enjoy the support of a majority of the constituents of the United Kingdom.

The second plan of working, by means of bounties or bonuses, is free from any objection of a similar kind. Far from including the same risks of increasing prices, its tendency would undoubtedly be in the opposite direction, whilst it could be made to automatically work out an ultimate system of free exchange of goods between different parts of the Empire. We select for action twelve commodities. The United Kingdom will benefit by a reduction of price in any of them, and every British possession will be interested and largely gain by the supply of some of the number. Three of the twelve are already subject to English duties, and with respect to these it will be easy to allow a differential advantage as regards the rate of duties over similar goods from foreign countries. On the others a bonus will have to be paid to give them an advantage over foreign goods of the same kind. We defer dealing with the reciprocal advantages the British possessions should offer. We will first set forth the nature of the commodities, the respective value of each imported from British possessions and foreign countries during the year 1891, the rate of bonus and amount thereof with which a commencement might be made and the ultimate maximum of such bonus. On such maximum being attained, the percentage of bonus would have to be lessened as the imports further increased. We prefer that the bonus should be purely an *ad valorem* one, so as not to encourage the production of inferior articles. There is one important consideration to be taken into account. Large amounts, though not a large proportion, of the commodities imported into the United Kingdom from British possessions and foreign countries are not retained for use, but are exported to other countries. Some are at once transhipped on arrival to other destinations, but these are not taken into account by the Customs

authorities in their records of imports and exports. But other such goods are not transhipped on arrival. They are kept for a time and then exported. The Custom House keeps a record of these exportations, but does not distinguish between the amount of the goods that have respectively come from British possessions and foreign countries. In order to arrive at a conclusion, it is necessary to average the amount of the commodity imported and then exported over the total of that commodity received from British possessions and foreign countries, and by deducting the proportion from each, the net amount of the commodity received in the United Kingdom and retained for use from the British possessions and foreign countries respectively can be ascertained. This is the plan we have adopted, as will be seen in the table. Though possibly not quite accurate, it is sufficiently so for the present. If the plan we suggest is carried out, it will be easy to attain perfect accuracy by keeping a separate account of the goods from British possessions exported from the United Kingdom for foreign use. It is evident that it would not do to give a bounty on goods that in their original form are not retained for use in the United Kingdom, though, of course, the principle does not apply to raw materials received and afterwards exported in a manufactured form.

An objection may be urged to giving bonuses to producers in the British possessions on articles similar to those produced in the United Kingdom. There is only one way out of this difficulty, and that is to give to British producers an equivalent amount (not percentage) to the bonus paid to British possessions for distribution amongst such producers. The articles amongst the commodities we have selected which affect the British producers are wool, grain, butter, cheese and meat. It is fair to consider that they are prejudiced to the total extent of the bonuses paid on these articles, and we suggest that such payment should be made, the total amount to be divided amongst all the producers in such manner as may be found most satisfactory. The total payments, according to the table, on the articles named should begin with £2,317,075, with a power of increase to £3,250,000, and if these amounts be added to the bonuses proposed on commodities not subject to duties the sum will be as follows:—

Total bonuses to commence with on nine commodities not subject to duties	£3,020,575	increasing to	£5,100,000
On five of the same commodities largely produced in the United Kingdom	2,317,075	“	“ 3,250,000
Total	£5,337,650	“	“ £8,350,000

The bonuses on the commodities subject to duties we keep distinct, for there should be no objection to providing the bonuses suggested out of the duties received on those commodities. The non-dutiable goods are the difficulty, because no advantage in the shape of reduced duties can be offered on them to suppliers from British possessions. The objection to putting a tax on such commodities received from foreign countries is the risk of causing an increase to the consumers and manufacturers of the United Kingdom in the cost of living and raw materials. Thus on the non-dutiable goods the only alternative is the proposed bonuses paid temporarily on the productions of British possessions, until it is found they are able to supply such commodities at least as plentifully and cheaply as foreign countries.

Articles not subject to duties in the United Kingdom.	Dutiable Goods.											
	Wool	Cotton	Wheat, barley, maize, oats, including flour and meal	Butter	Cheese	Meat of all kinds, including bacon and hams	Sugar	Wood and timber	Fish cured, salted, etc.	Tobacco	Tea	Wine
	4,117,000	44,189,000	50,098,000	11,129,000	2,747,000	16,060,000	18,900,000	12,165,000	1,000,000	150,405,000	2,003,000	2,470,000
	44,189,000	24,952,000	9,494,000	4,461,000	2,065,000	3,005,000	1,583,000	3,424,000	583,000	47,460,000	46,000	8,262,000
	1,891,000	1,891,000	49,797,000	10,786,000	2,637,000	15,440,000	18,473,000	11,953,000	692,000	152,093,000	1,879,000	2,110,000
	11,291,000	1,736,000	9,424,000	4,461,000	1,982,000	2,872,000	14,900,000	3,364,000	386,000	33,021,000	41,000	7,060,000
	11,291,000	1,736,000	9,424,000	4,461,000	1,982,000	2,872,000	14,900,000	3,364,000	386,000	33,021,000	41,000	7,060,000
	11,291,000	1,736,000	9,424,000	4,461,000	1,982,000	2,872,000	14,900,000	3,364,000	386,000	33,021,000	41,000	7,060,000
	11,291,000	1,736,000	9,424,000	4,461,000	1,982,000	2,872,000	14,900,000	3,364,000	386,000	33,021,000	41,000	7,060,000
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	11,291,000	1,736,000	9,424,000	4,461,000	1,982,000	2,872,000	14,900,000	3,364,000	386,000	33,021,000	41,000	7,060,000

We now come to the question, On what basis should the United Kingdom contribute to the amounts proposed, and on what conditions? If we name our views as to the terms, it must not be supposed we suggest them as an integral part of the scheme. We recognize they will be open to much consideration; we only mention them to give a realism to the subject, and to form a basis of argument. The amounts in point are a total of £5,337,650 to commence with, increasing gradually to £8,350,000; but it must not be forgotten that £2,317,075 of the first amount and £3,250,000 of the second go as bonuses to producers in the United Kingdom.

We think one-third paid by the British possessions and two-thirds by the United Kingdom a fair division. We put the results in tabulated form, and by the side of the amount payable by the United Kingdom we place the sum which will be payable to the producers of the United Kingdom. The amounts proposed are not large compared with the enormous results they are destined to bring about. Some present sacrifice might surely be endured for the sake of securing an unlimited free exchange of commodities throughout the British Empire. No objection can possibly be raised as to the plan injuring either consumers or manufacturers in the United Kingdom. On the contrary, it will benefit them both, and benefit in addition agricultural producers. As far as concerns the payment made by the United Kingdom, they will be very much of the character of an exchange of money from one pocket to another. It is not desirable now to enter into the question of the source from which it is expedient to raise the money, but it may be observed that a considerable portion, if not all of it, can be provided by giving effect to Lord Salisbury's suggestion of a moderate duty on articles of luxury. Nor need we discuss how the colonies should raise and contribute their portion. It may, however, be suggested as regards this portion that the special extra tax on foreign over British goods which will be indicated as part of the scheme will provide a great deal of the money required, and, as to the whole, it is a small sum in comparison with the benefits which will accrue. It will be noticed also that the payments are liable to decrease, and that most of them will probably be of short duration. The wealth of the British possessions will largely increase with the increased production open to them.

	Original bonus.	Payable to producers of United Kingdom.	Payable after deducting last column.	Bonus increasing to	Bonus increasing to producers of United Kingdom.	Payable after deducting last column.
Payable by the United Kingdom	3558434	2317075	1241359	5566667	3250000	2316667
Payable by the British Possessions	1779216	—	—	2783333	—	—
Total	5337650	—	—	8350000	—	—

We now come to the conditions which should accompany the agreements to make the payments recommended. We suggest as follows:—

1. The British possessions agree to impose an extra *ad valorem* import duty of 10 per cent. on all foreign commodities of the same character as those imported from the United Kingdom.

2. Any of the bonuses described shall cease to be paid six months after the United Kingdom declares a 10 per cent. differential duty on any of the commodities subject to such bonuses coming from foreign countries. Thus, for example, whenever the increased production of the British possessions made it safe to place a 10 per cent. duty on grain from foreign countries the proposed bonus on grain would cease.

3. On three years' notice (issued not sooner than seven years from the date of the bonuses coming into operation, and not later than eighteen years) that the United Kingdom will impose not less than a 10 per cent. duty on all foreign commodities, the British possessions and the United Kingdom will agree to an exchange, free of customs duties, of all commodities of their own production or manufacture. The British possessions are also to impose a duty on foreign commodities of not less than 10 per cent., but to be at liberty as well as the United Kingdom to make the duty on foreign commodities larger than 10 per cent. It may possibly be necessary to except cotton from the operation of the 10 per cent. duty; that is to say, to continue to pay a bonus on it instead of imposing a duty. The quantity of cotton now imported from foreign countries is so enormous, and the manufacture of cotton within the United Kingdom so gigantic, that it would not do to run any risk of increasing the cost of the raw material, and it might be impossible to determine when the British possessions will find themselves equal to supplying all the cotton the United Kingdom requires.

Similarly there may be a few other commodities for which the United Kingdom or the British possessions may require to stipulate for special treatment, and possibly it may be found desirable to add some articles to those we have selected for treatment by bonus.

With these exceptions, if any, within twenty-one years—probably much earlier—there would be a complete Zollverein within the British dominions. It may be added that the various customs departments would have no difficulty whatever in carrying out the details of the scheme.