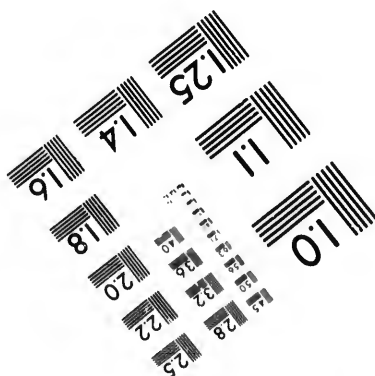
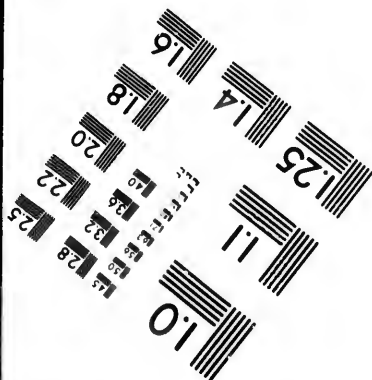
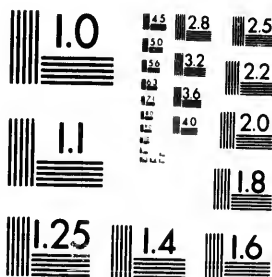


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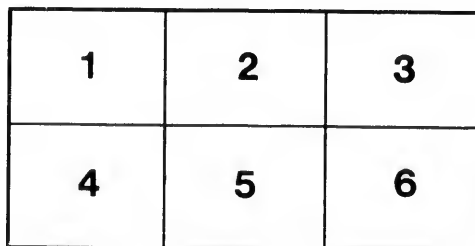
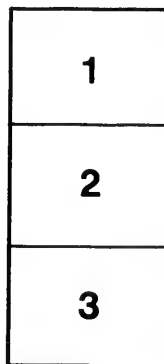
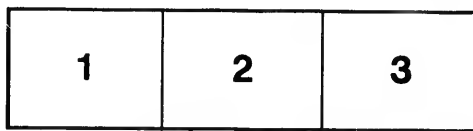
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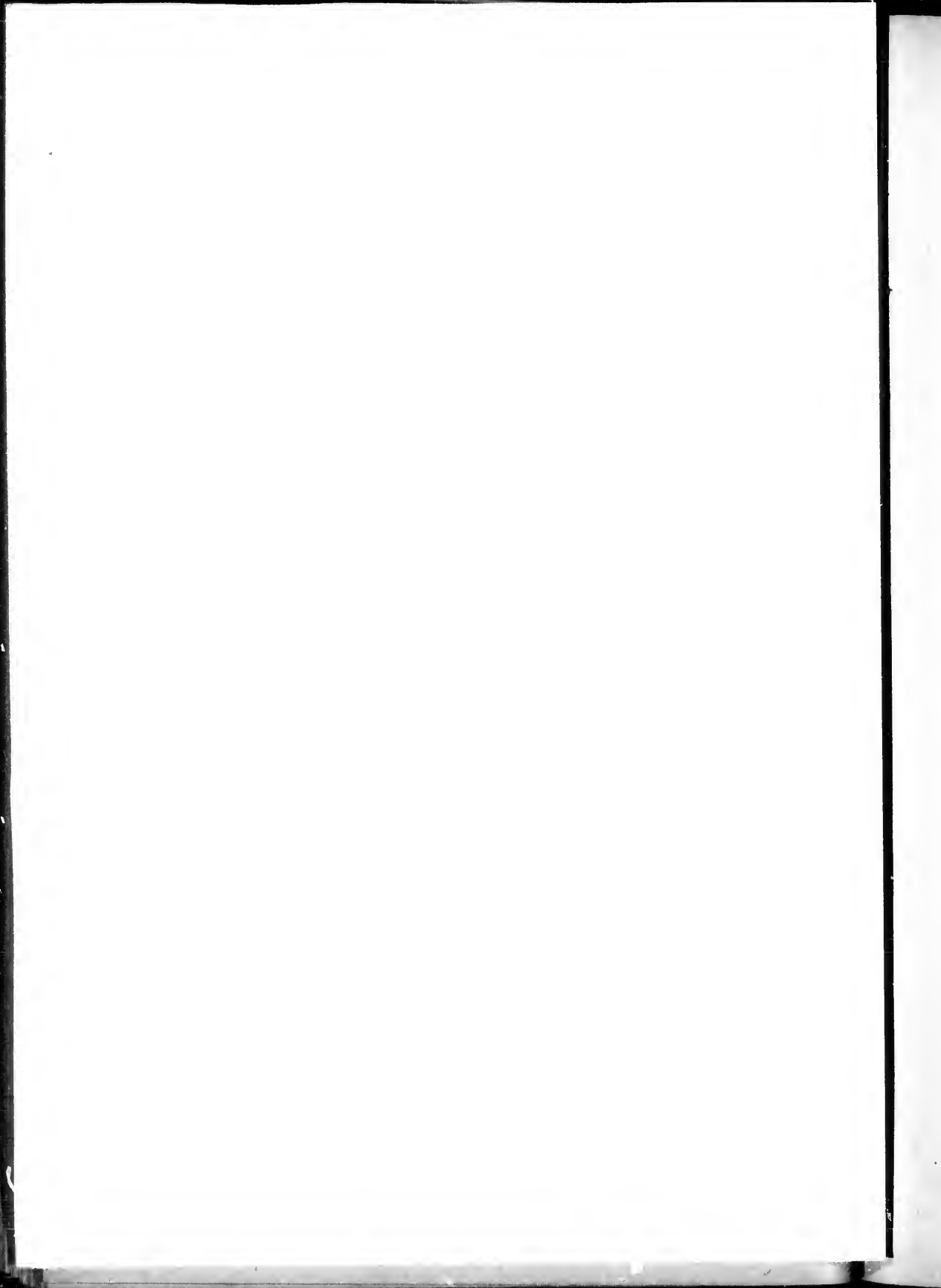
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No. 8.

INFORMATION FOR THE ELECTORS.

DIRECT TAXATION.

There is one obstacle at which the Liberals always balk in their advocacy of unrestricted reciprocity—the revenue question. How under the proposed policy can the public revenue be raised otherwise than by direct taxation, is a question the Liberals have never been able to answer and which they endeavor most studiously to evade. But the question is one which every elector should propound to the disciples of unrestricted reciprocity, and should insist upon a straightforward answer, because if the taxpayer is to go about every year among the farmers and working classes and levy tribute upon them to meet the expenses of government, the “fad” will have small chances of surviving the shock with the ballot-box.

There is no difficulty whatever in ascertaining almost to a dollar how much revenue will be lost under the Wiman-Cartwright trade policy. We will certainly lose every dollar of duties now collected on imports into Canada from the United States, because the proposition is to throw down the Customs wall between the two countries. Then along the seaboard Canada is to impose the United States' tariff, not a tariff of our own making, mind you, but such duties as the American Congress enacts, to wit, that symbol of protection-run-mad, the McKinley

tariff. Being thus placed on identically the same plane as our neighbours in the matter of a tariff against the rest of the world, it follows as certainly as that water will find its own level, that the *per capita* import trade of the two countries will become equalized. What that implies to Canada in the way of loss of revenue a few figures will serve to illustrate.

The value of imports into the United States, except coin and bullion was, in 1888, \$723,880,000; last year it was \$800,000,000, which, for a population of 63,000,000, represents \$12.70 per head. The value of imports into the Dominion last year was \$121,860,000, or, on the basis of a population of 5,200,000, \$23.40 per head. Our foreign trade, therefore, is very nearly double that of the United States, relatively to population, and if we are to be put under the same fiscal conditions as that country, the consequence must be an immediate shrinkage of nearly 50 per cent in our import trade. Take the case of our import trade from Great Britain. In 1880 it amounted to \$43,390,240, or \$8.30 per head; in 1889 it was \$42,317,390, or \$8.25 per head; and in 1888 it was \$39,298,700, or about \$8 per head. On the other hand, the United States imports from Great Britain only to the value of from \$2.75 to \$3.00 per head. Under unrestricted reciprocity, therefore, our purchases from the Mother Country would immediately decline to less than one half their present dimensions, with a corresponding loss of Customs revenue. Another source of loss has to be faced, viz., the duties on sugar, which under the McKinley bill are to be removed from the after January 1, 1892, and which, therefore, would necessarily disappear in Canada if free trade between the two countries prevailed. We may, therefore, sum up this approximate loss of revenue under unrestricted reciprocity as follows:—

REVENUE LOSS.

Duties on imports from United States.....	\$ 8,220,300
“ “ “ “ Great Britain.....	4,788,500
“ “ “ “ Sugar, fruit, etc.....	3,000,900
	<hr/>
	\$16,008,800

These figures are based on the official revenue returns for the year ended June 30th, 1890. They show, not a problematical or possible, but a certain, loss of income to the tune of \$16,000,000 annually. How is this to be made up? Some unthinking Liberals prattle that such economies in the general administration can be practised as will enable the reduced revenue to defray the charges on the treasury. Let us see as to that. The expenditure in 1890 was \$35,994,000, but inasmuch as the year gave a surplus of nearly \$4,000,000, or to be exact \$3,885,893, it follows that a retrenchment of say \$12,000,000 in the expenditure would leave income and outgo about balanced, on the basis of last year's returns, under the operation of unrestricted reciprocity. But the fixed charges of the Dominion exceed the whole revenue possible to be derived by indirect taxation under the conditions of free trade with the United States. Look at the figures:—

Revenue, 1890.....	\$39,880,000
Loss under U. Reciprocity	16,000,000
	<hr/>
Balance of revenue.....	\$23,880,000
Against which the following fixed charges have to be put:—	
Interest on debt.....	\$9,887,250
Subsidies to provinces.....	3,905,000
Sinking fund.....	1,887,230
Collection of revenue.....	9,183,000
	<hr/>
Total.....	\$24,862,480

Already, therefore, there is a deficit of a million dollars annually staring us in the face, and that without having made provision to the extent of a single sixpence for such services as civil government, legislation, administration of justice, public works, militia, Indians, mounted police, lighthouse and coast service, ocean subsidies, agriculture, penitentiaries, and a host of other services absolutely indispensable. Why, if the Liberals cut down the expenditure for such items as these to the figure of 1876, namely, \$8,570,000, there would still be a **deficit of nearly ten millions** in the revenue only to be overcome by direct taxation.

TESTIMONY OF A LIBERAL.

Upon this point we have the testimony of a prominent Liberal, long associated with the leaders of the party in the promulgation of the doctrine of unrestricted reciprocity. We refer to Mr. E. W. Thompson, for several years chief editorial writer on the *Toronto Globe*. Mr. John Charlton, M.P., having, in the course of an address at Toronto last January, sought to make it appear that ample revenue can be had under unrestricted reciprocity, without recourse to direct taxation, Mr. Thompson addressed a letter to the press, in which he said:—

“ May not the reverses of the Federal Opposition be due to the apparent indisposition of Sir Richard and Mr. Charlton to nail Direct Taxation on a Great Scale to the masthead, when it flutters visibly enough? Up to the moment of reading Mr. Charlton’s demonstration, I had supposed it safe to accept an estimate often editorially made by the *Globe* itself that the loss of revenue by unrestricted reciprocity would amount to fully \$14,000,000. Perhaps you will be kind enough to state whether the *Globe*’s calculation now agrees with Mr. Charlton’s. He admits that over \$7,000,000 annually collected on American importations would disappear. But he seems to ignore a consideration that the *Globe* used to say could not be honestly ignored, *i.e.*, the displacement of British and other old world goods by American goods. If American goods, which now compete advantageously here with European goods, could enter free of customs taxes, while British and other European goods could not enter without paying 30 or 40 per cent., would not American goods displace all others to so great an extent, that other \$7,000,000, or say \$14,000,000 in all, would be lost to the Federal treasury! I cannot think the *Globe* was wrong in that reckoning; yet Mr. Charlton did not seem to agree with it in the fine figuring he did before the Young Liberals. It may be true that the private gains of Canadians from unrestricted reciprocity would amount to vastly more than the loss of public revenue, but if \$14,000,000, or, to split the difference between the *Globe*’s and Mr. Charlton’s estimates, even \$10,000,000 would disappear from custom’s income, what sense, to say nothing of honesty, could there be in asserting that Direct Taxation on a Great Scale would not be a necessary incident of unrestricted reciprocity.”

The truth is direct taxation is as certain to follow immediately upon the adoption of unrestricted reciprocity as night is to follow day.

MR. BLAKE'S VIEW OF IT.

Exactly what the ex-leader of the Liberal party thinks of the new trade policy, there is no means of knowing at the time of writing, he having preserved a studious silence on the subject. We do know, however, that he regards direct taxation as impracticable in Canada, and the party advocating the system as utterly fatuous. Speaking at Malvern, Ontario, in January, 1887, Mr. Blake thus referred to those fiscal policies, like free trade and unrestricted reciprocity, which destroy the revenue from customs:—

“No man, I care not how convinced an advocate of absolutely free trade for Canada he may be, has yet suggested:—no man, I believe, can suggest—a practicable plan whereby our great revenue needs can be met otherwise than by the continued imposition of very high duties on goods similar to those we make, or can make, within our bounds, or on the raw materials. I invite the most ardent free trader in public life to present a plausible solution of this problem, and I contend that he is bound to do so before he talks of free trade as practicable in Canada. I have not believed it soluble in my day, and any chance of its solubility, if any chance there were, has been destroyed by the vast increase of our yearly charge, and by the other conditions which have been created. The thing is removed from the domain of practical politics.”

In that utterance is a sweeping condemnation of the new fad, unrestricted reciprocity. It is a challenge to its advocates to explain how the necessary public revenue can be raised otherwise than by direct taxation—whence Mr. Blake pronounces impracticable—when the customs duties against American goods are swept away.

OBJECTIONS TO DIRECT TAXATION.

Free traders of the Cobden school favor the imposition of direct taxes, and perhaps the wealthy classes will not seriously object to that form of taxation, because universal experience has demonstrated that the poor always suffer under it. The men of large means, of great monied interest, never pay in anything like due proportion, while the wage-earners, the farmers and

mechanics, are taxed to the full extent under the direct taxation system. The following extract bearing upon the subject, is taken from the report of a Commission of the State of New York, appointed to enquire into the operation of the direct taxes, of which Commission Mr. David A. Wells was chairman:—

“They would also recall the opinion authoritatively expressed in the constitutional convention of 1868, that *thirty* citizens of the State could be named whose aggregate wealth (mainly personal) was very considerably in excess of the valuation for that year of all the personal property of the entire state. But without again entering into details, the Commissioners would now say that another year's experience has led them to this general conclusion, that the authorities of the state, under a law (professedly executed) requiring the assessment of *all* personal property at its full value, do not, in fact, succeed in assessing a proportion equal to *thirty* per cent. of the recognized *low* valuation of the real estate; or more than *fifteen* per cent. of the real and true value of all such property immediately located within the state, and as such subject to the state authority.”

Direct taxation prevails in the United States, and as a result the farmers are everywhere in revolt against the system. Not a year passes without the farmers of New York meeting in convention to devise means of removing the inequalities of taxation, which are found to press heavily and often ruinously upon the poorer classes, while the rich escape with a payment altogether insignificant in proportion to their wealth and income. If the policy of unrestricted reciprocity were to go into operation an army of tax-gatherers would almost immediately thereafter be appointed, whose salaries would greatly increase the public expenditure, and who would go about the country every year exacting a payment in hard cash from every male adult. The capitalist with an income of \$10,000 a year would not begrudge giving \$50 out of it to the Government, but the farmer, the mechanic, and other wage-earners with an income of \$400 or \$500 a year, would be ground into misery and distress if he had to pay \$50 of his earnings into the public treasury.

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