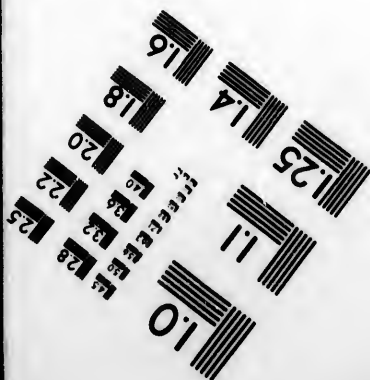
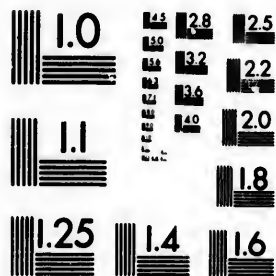


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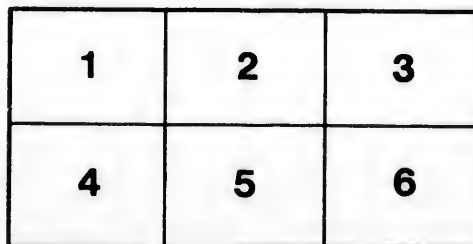
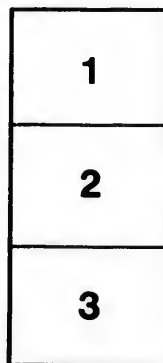
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Surplus Revenue and Canadian Relations.



Philadelphia, November 28, 1887.

HON. JUSTIN S. MORRILL,

Chairman Finance Committee, United States Senate ;

DEAR SIR :

During the last ten years I have had the honor of addressing you upon questions of public interest,—national revenue reduction, and reciprocity treaties with Mexico and Spain,—and I now venture to offer for consideration and discussion a memorandum on the National Revenues and their Surplus, and the adjustment of our Trade Relations with Canada, which has been prepared under my direction. The distribution of the national surplus revenue has long seemed to me a proper measure of relief for the burdens of local taxation, and the only measure that would make sure the maintenance of the American system of Protection. In June, 1883, in a letter to the Honorable Charles J. Folger, then Secretary of the Treasury, I urged the view that "reconstructing the tax system of the country, reforming its old abuses and absurdities,

relieving the local tax burdens of the people, and preserving intact, by a harmonious method of adequate import duties, the protection of American labor" was of more importance than any other question of American affairs.

On July 11, 1883, the Republican State Convention of Pennsylvania adopted resolutions as follows :

"First. We unqualifiedly approve and demand the continuance of that system of Protection to Home Industry which has proved itself to be the basis of national independence, the incentive to industrial skill and development, and the guarantee of a just and adequate scale of wages for labor ; and we denounce all attempts to reduce the rates of the tariff below the level which will accomplish these objects.

"Second. That any surplus in the public treasury arising from a redundant revenue should, after paying the national debt as fast as its conditions permit, be distributed from time to time to the several States upon the basis of population, to relieve them from the burdens of local taxation and provide means for the education of their people."

These resolutions were adopted with the knowledge that President Arthur was prepared to make the Presidential campaign upon this platform.

In December, 1879, I embodied in the form of an open letter addressed to General Garfield arguments in favor of Commercial Union with Canada, but only after those views had received the approval of that distinguished statesman. I have reason to know that, had President Garfield lived another year, he would have advocated this settlement of Canadian questions, and that he would have opposed all other solutions. After watching the discussion of the Canadian complications, and of national finance, I am convinced that the only American solution of them is upon these lines,—and therefore the publication of this memorandum.

I have the honor to be,

Very respectfully yours,

WHARTON BARKER.

MEMORANDUM

—UPON—

- I. The National Revenues and their Surplus:*
 - II. Trade Relations of the United States and Canada.*
-

TWO subjects of high importance demand consideration at the hands of the American people and their Congress. These are:

- I. The problem of the National Revenues and their Surplus.
- II. The adjustment of our Trade Relations with the Dominion of Canada.

The purpose of this memorandum is to present some of the facts which must govern a sound public judgment in relation to these subjects; and to point out the reasons for believing:

1. That the revenues collected into the treasury at Washington, now temporarily exceeding the strictly defined uses of the federal government, should rather be applied, to the extent of the excess, in the relief of other public burdens resting upon the States, than be hastily and hurtfully diminished.
2. That the adjustment of the commercial relations of the United States and Canada should be made, not by means of a partial reciprocity of trade, or a new form of bargaining over the fisheries, but by an agreement between the two countries to maintain an equal tariff rate against all other nations, and to trade unrestrictedly with each other, dividing the revenues received at the custom houses of the two countries, according to their respective populations.

THE subject of the national finances, always of high importance, under existing circumstances is both urgent and serious. The financial and economic policy of the country, maintained during twenty-five years, has had the remarkable result of producing a national revenue much greater than the ordinary national uses. It is true that a great national debt remains in part unpaid; but it is also true (1) that none of it is due; and (2) that the lenders stand upon their rights, under the contract of the loan, to decline present payment. This use, therefore, which had heretofore absorbed the surplus, has now ceased. For an interval of four years no more of the principal of the debt can be reached.

The surplus is thus the overshadowing fact of the situation. Its existence is not to be denied. Its amount is substantially the round sum of a hundred millions of dollars a year. The question is, How shall we deal with it?

The reply to this question, if wise, will proceed from a thorough and unprejudiced survey of the whole case. The present fiscal problem of the United States is not such as the experience of other nations has presented: it calls, therefore, for a treatment at once practical and original, uncontrolled by preconceived notions, or narrow theories of finance. It is an American question. In approaching it, three general conditions of fact present themselves. These are:

1. The Surplus, if usefully expended, is no burden. While its hoarding is an evil, the avoidance of this by its prompt return to the channels of business presents no difficulty.

2. The revenues whose excess produce the surplus are so derived, for the most part, that the public interest is benefited by their continuance.

3. The national debt being yet unpaid, to the amount of nearly a thousand millions of dollars, the Surplus will again be needed, as soon as the debt can be again reached. It is not with a nation free of debt, and a surplus never again to be useful, that we have to deal, but with an *interval* simply, in which the excess revenue is not usable for national purposes.

Taking up these statements in detail, there can hardly be a difference of view as to the first or third. It will be conceded, certainly, that while the hoarding of money in the treasury vaults is an intolerable disturbance of the country's business, the avoidance of this by its punctual outpayment, *for a good use*, is a process beyond criticism. And that the nation is still deeply in debt, and may again resume the redemption of its bonds in 1891, is known to all.

Considering, then, the second statement: The customs revenues are derived from duties mostly protective. If—as is the ground assumed in this memorandum—the policy of Protection to our home production and markets is wise, then the revenues proceeding from such duties as that policy demand are not to be abolished; nor is their maintenance in any degree harmful. Their repeal, so far from being a relief to the American taxpayer, would increase the burden laid upon him and diminish his ability to support it. And while it is true that there may be some revenues derived from the Tariff which are not now serving any protective purpose, it is a fact that careful analysis of these shows that, exclusive of the sugar duty, to which reference will be separately made, they do not exceed twelve millions of dollars. Their entire repeal, and the transfer of the articles they represent to the “free list,” would affect to an inconsiderable extent the accumulation of the annual Surplus.

If we pronounce the protective duties beneficial, and the revenues from them no burden, but the logical consequence of the national advantage which Protection seeks, how, then, is it with the taxation of the Internal Revenue system? This falls upon two things, and two things only—intoxicant liquors and tobacco. Can it be seriously represented that such taxes are a hardship? Or, speaking of the former only, will it be anywhere held that the levy of a charge for public use upon whisky and beer is a public injury? Turning to the purely financial aspect of the question, it appears that the total repeal of the internal revenue taxes would more than dispose of the Surplus; according to the experience of recent years, their average

amount has much exceeded the average annual reduction of the debt.* Unless, then, we desire to create a deficit in the Treasury, the entire repeal of the internal taxes is impossible, and the system must, in part, at least, be continued.

In fact, the taxes of the Internal Bureau are a marvel of cheap, easy, and punctual collection, simple and orderly arrangement, and complete absence from public inconvenience. They are unfelt, and when observed at all, are found to entail no hardship. That they increase the cost, and so far discourage the use, of intoxicating drink, is a benefit. To repeal the tax on this, and surrender the revenue to the dealers in and consumers of liquors, while useful property, lands and houses, goods and chattels, must continue to be taxed, would be a lamentable yielding of common sense to narrow and arbitrary ideas of finance, and a sacrifice equally lamentable of the opportunity of establishing a tax reform, national and local, which would afford great and lasting benefit to the country.

As to the second statement above, it appears, then: (1) That the revenues from customs duties, so far as those duties are protective, ought not to be disturbed. (2.) That the repeal of those not now strictly protective, exclusive of the sugar duty, may afford a reduction of ten to twelve per cent. of the annual Surplus. (3.) That the removal of the tax on liquors is not suggested by sound reason, and would be a hurt, rather than a benefit. (4.) That the entire revenue from the Internal System cannot be dispensed with, if the Treasury is to continue to meet its obligations.

* The following table exhibits this in detail:

<i>Year.</i>	<i>Receipts Int. Revenue.</i>	<i>Reduction of Debt.</i>
1880	\$124,009,373	\$73,650,600
1881	135,264,385	84,425,350
1882	146,497,505	175,757,350
1883	144,720,368	125,581,250
1884	121,586,672	111,665,300
1885	112,498,725	30,412,900
1886	116,805,936	50,136,850
Total, 7 years	\$901,382,964	\$659,629,600
Average, 7 years	\$128,768,994	\$93,089,942

Taking up the two revenues upon which a suspension of judgment has been intimated, that from the import of sugar, and that upon the domestic production of tobacco, we are confronted as to the former by the fact that it is not a protective but a revenue duty. Taking the experience of thirty-five years, it appears that not only has this protection failed to create a sufficient home supply of sugar, but it has even failed to maintain the product at the amount of 1852. In that year (1852-3), the product of sugar in the United States was 386¼ millions of pounds, and in the following year it was 525 millions, whereas the average product for ten years past (1876-7 to 1885-6 inclusive), has been but 251¼ millions of pounds,—this absolute diminution being, of course, immensely greater relatively, when the increase in the sugar consumption of the country is considered. In ten years (1877 to 1886), our consumption has risen from 745,250 tons a year, or 36 pounds *per capita*, to 1,389,125 tons, or 53.3 pounds *per capita*, and of this quantity our home product now figures as about one-tenth only.

It is perfectly plain that so far as the cane is concerned, a home supply of sugar cannot be got through any influence of protective duties laid upon imported sugars; it is also true, indeed, but not necessary here to consider, that such a supply cannot be grown at all in this country, from the cane. The sugar duty is therefore not now one of Protection. It has not produced, within a period more than ample for the test, the result which Protection calls for: the establishment and maintenance of an adequate home supply. The retention of the duty is therefore not justified by any protective principle, and the retention of the return from it has become a revenue question, qualified only, as to the future, by such prospect as we may believe to exist of the development of the sorghum sugar manufacture, and such reasonable obligation as there may be not to abandon the cane industry of Louisiana.

Three sources of revenue are thus indicated as perhaps available for reduction: Placing on the "free list" those imports whose duty charges now serve no protective purpose

may cut off ten millions of dollars. The repeal of the internal tax on home-grown tobacco would take off about twenty-eight millions. The entire repeal of the sugar duty, coupled with the payment of, say, five millions bounty to develop the sorghum manufacture and preserve the Louisiana industry, would affect the revenues fifty-five millions more. Altogether, this, making ninety-three millions, would substantially efface the Surplus.

But let us stop here to consider that if we thus cut off all excess of revenue, now, even though it be done in the least hurtful way, we shall probably have no surplus with which to resume the debt payment, in 1891. Do we consent to this? Do we desire to make the debt permanent? If not, then shall not the Surplus be preserved, in part or entirely, during the four years' interval, and be applied for the time to the payment of debts and the relief of taxes resting upon the shoulders of precisely the same people as those who owe the national debt?

Whether we wish it or not, to this issue the subject of the Revenues and their Surplus leads. In the nature of the case, this form of the question cannot be avoided. We are obliged to consider whether it is the best policy to cut off revenues which impose no burden upon the country, while we choose, upon technical and conventional grounds, to continue the collection of other revenues which do burden the country. The problem, it is true, is novel, but it none the less deserves a candid and unprejudiced treatment, and its best solution will be that which is according to the simplest rules of common sense and of our own American experience.

The policy of establishing a systematic and continuous relation of support from the common treasury of the United States to those of the separate States is suggested by this situation. Such an arrangement would be justified by the constitutional proportion of powers and functions given to the Union, and to its members; by two great precedents in the history of the country; and by the circumstances with which we now have to deal. The formation of the Union was a conces-

sion to it of powers which the several States had separately possessed, and chief among them the great one of collecting import duties. In parting with this,—which some of them did only because the formation of a Union would otherwise have failed,—they surrendered a power out of proportion to the function of government that went with it. The general government, unless it were to be continually at war, undertook nothing for the States proportionate to this great source of revenue. It is impracticable here to go into details as to this, but no candid student of the case can fail to see its essential significance. The general government maintains the (small) army, the (unimportant) navy, the foreign ministers and consuls, the light-houses, and such part, usually small, of the expense of the postal system as is not defrayed directly by those who use it. Besides these functions, its return to the people, in governmental service, is small. But to the States and their sub-divisions is left the great list of services that are vital to the social fabric. It is they who provide the machinery for the administration of justice, civil and criminal, in all ordinary cases; they maintain the militia; they maintain quarantine, and guard the public health; they provide the jails, hospitals, asylums, and other institutions, penal and benevolent; they lay out and keep up the highways; they maintain bodies of police, and wherever their people have gathered into towns and cities, they supply water and other comforts and conveniences of civilized municipal life. Moreover, to all this they add the performance of a duty upon which the very existence of the nation depends:—the education of those who are to be, when educated, the nation's citizens. All these are functions that reach the daily life of the people. They are those which must be honestly done, at serious cost. To pay for them requires revenues which the States, the counties, the cities, the towns, and townships must draw from their people directly. The general government's work, in time of peace, is light in comparison. Yet it has the easy and unfelt revenues. It collects import duties, and taxes on liquors and tobacco, while

the States must assess and re-assess the people for their houses, and lands, and personal savings.

It was in no small degree the appreciation of this state of facts which prompted the first great measure of relief from the general to the separate treasuries. When the States' debts were assumed by the Nation, in 1789, it was because of the evidence that its back was broader than theirs. It had revenue powers altogether disproportionate to theirs. Had it been otherwise, the measure would not have been adopted. The whole spirit and substance of Hamilton's heroic procedure was derived from his understanding of the relative shares of revenue power and governmental function which the States and the Union had taken under the federal system.

Half a century later, the situation recurred. The nation's power of revenue had filled her treasury more than full, while the States were struggling with inadequate revenues to perform those duties which had been left in their care. Debts they had, but not railways or canals. Children they had, but not schools or teachers. The surplus distribution of 1836, wisely conceived, and honorable to the leaders of both parties in Congress who carried it through, was a simple recognition of the same state of facts that had been so evident at the beginning of the national era. It was a measure of statesmanlike justice, for it transferred to the local treasuries of the people such part of their, the same people's, money as was not then needed in the general treasury. So, it recognized the unity of the Nation, and repudiated the conventional and mischievous notion that the general system is one foreign to, and absolutely separated from, the individuality of the States. In whatever degree the distribution of 1836 failed of its full usefulness,—and the instances of failure have been absurdly magnified in the interest of small notions and preconceived theories,—it was a failure due in large part to the circumstances of the time. The wild-cat banks of fifty years ago are no more behind us than are such forms of fiscal imprudence as characterized the few cases in which the distributed sums failed of a good use.

The situation, now, reproduces the essential conditions of 1789 and 1836. Again are the separate treasuries weaker than the demands upon them: again is the general treasury able, if not willing, to help them. Can this be reasonably denied? Are not many States deeply in debt? Have not some of them declared their obligations beyond their ability to pay? Is it not true that in a large part of the Union the educational work which the Union's welfare requires is desperately in arrears? Will any one deny that in every State the penal methods require great improvement, while in some they are yet to be redeemed from actual barbarity? The figures of the Census, common to every one's use, testify upon all these points, and have been cited again and again. Ignorance gains upon education, State debts are scaled down, "convict camps" are kept instead of prisons and reformatories, and the great cities, staggering under their work of providing good ways, efficient police, pure water and healthful conditions, accumulate debts that in the aggregate rival that of the Nation.* It may be said with truth that while the evidence of the faithful purpose of the people to support the organization of society has raised our credit above that of the untried and unknown conditions of 1789, the actual difficulties of the States in discharging their greatly more complex and costly duties are substantially as great now as they were when Hamilton's statemanship came to their relief.

The essential truth of these statements is matter of public knowledge. Is not the logical consequence of them as plain? Is it not clearly suggested by the very nature of the case that permanently if possible, but certainly during the interval of 1887-91, the Surplus in the Washington treasury should be justly and prudently, but also openly and directly, applied to

*While the national debt was being paid off, through the great revenues of the Nation, the State and local indebtedness, fed upon small and hard-got revenues, was increased. The Census of 1870 stated the total of State, County, City and Town debt at \$868,676,758. The Census of 1880 reported the same to be \$1,056,406,208. And while the nation borrows at 3 per cent., with ease, over three-fourths of the local bonds bore interest of 5 per cent. and upward.

the relief of the people's burdens of State debt and expenditure? Do we fail to see that the people in the States separately are the identical people of the States united, and do we decline to employ for their benefit all the available means of revenue relief, whether these may proceed from the National system or from the system of the States?

To omit this conservation of the strength of the American people is to place ourselves at a disadvantage in comparison with other countries. It must handicap us in the world's race. If we are to maintain our condition, and achieve further advancement, it must be by a careful use of all our powers, and not by the waste of any. If our conception of the political relation of the States to the Union is such that, because of it, we must oblige the people to sacrifice some of their most important resources, then the merit and the strength of the Federal System in comparison with that of other systems of organization has been altogether misconceived, and in the long run the price paid for it must prove too high.

There might be objections to the plan of using the Surplus for State and local relief, if the facts of the case were different. (1) If it would diminish local courage and intelligence, by a dangerous centralization of function, that would be an objection of the most serious character. But, on the contrary, it would have the effect of supporting the local functions and enabling them to be more efficiently performed. Is it thought that when these are better done they will be less esteemed? (2) If Distribution would make the States look entirely to the national treasury for their resources, that would be an objection. But there is no such probability. If the entire Surplus were preserved, if no revenues were cut off, if the cancellation of the national debt were not resumed, the excess of the national treasury would not, according to our present experience, form one-third of the annual amount now required to be raised by taxation from the people, on State, county, city, and other local account.*

* The Census of 1880 placed this taxation annually at \$312,750,721. Since then, it has, of course, largely increased.

It is to be hoped that even the most timid will be totally without fear of a cessation of the tax-collector's visits. For a long period to come they will be made to feel the reality of the local organizations, by the need of putting their hands in their pockets.

(3) If the United States had entirely canceled its debt, and had not the prospect of any future use for the present excess of revenue, the proposal of Distribution might seem to some degree weakened. But a great debt yet exists, and a fourth of it will be redeemable in 1891.

(4) If the revenues from which the Surplus arises were burdensome and injurious; if their maintenance discouraged good morals or depressed the national strength, the preservation and use of the Surplus would be less reasonable. But, as has been shown, the precise opposite is the truth. To repeal the sugar duty will be purely a fiscal measure, scarcely felt by anyone, while the repeal of the taxes on intoxicants, in part or entirely, would be simply to make them cheaper to the consumer.

(5) If the States and local systems were sufficiently supplied, or if their revenues were easily derived, the case would be different. But they are, as has been said, ill supplied, and in possession only of the most onerous revenues.

(6) If there was nothing which the States desired to do, and would, by timely support from the national excess, be enabled to do, the case would be different. But it surely would be well for them to pay their debts; to keep faith with their creditors; to redeem their coupons instead of passing laws to "kill" them; to establish education that will outrun illiteracy; and to improve their penal and benevolent functions beyond the present mark. These are results which are worth accomplishing, unless it be true that Bankruptcy is preferable to Solvency, Ignorance to Culture, and Barbarism to Humanity.

Referring, in conclusion of this subject, to some of its strictly fiscal aspects, it must be pointed out that a Protective Tariff is not a measure devised for revenue purposes. The duties being laid to protect, their result in revenue cannot be certain; it must vary from year to year, according as imports increase or decline. No man can say in advance what their

precise return will be, a year hence; no Secretary of the Treasury, using his best powers of judgment, can estimate within an average annual variation of twenty millions of dollars. It follows that since assurance must be made of an ample income, there will be almost certainly a considerable excess, year by year, and it is evident that to prevent this from working public injury, there must be some way provided to return it regularly and punctually to the channels of trade. It must be recalled that the country has never yet had any prolonged experience with a Protective Tariff, except when there was a large amount of redeemable debt upon which to employ the excess revenue; and it seems not too much to say, judging from the obvious circumstances of the case, that when duties are imposed with the protective purpose, there must be some permanent provision by which the redundancy resulting from them shall be employed. While the public debt remains, and there are bonds redeemable, this outlet answers the full purpose, but there will be times, as at present, when bonds are *not* redeemable.

In any transfer from the general to the separate treasuries, provision of law as to the purposes and manner of applying the funds should of course be made. The States should probably be required to, first, settle overdue interest; second, to pay overdue debt; third, to relieve taxation, in such manner as they may see fit. The excess in the national treasury, at the end of each fiscal year, should be officially ascertained and declared, and, under the general law regulating the matter, it should be apportioned upon a uniform basis, and at a fixed date paid over. The States would use these funds when received, and in any time of waiting for an appropriation act of the Legislatures, they would be, as State funds almost uniformly are, on deposit in the banks, available for the business uses of the community.

Such a process would be an accompanying safe-guard to a system of revenues derived from protective duties. It would make a surplus not objectionable but useful, and no longer a

temptation to wasteful and extravagant expenditures by Congress. There would be, indeed, a powerful persuasive to discreet and economical appropriations, in the desire of each community to have its debts lifted, and its taxation lightened.

II.

MOST important and most obvious among the reasons which favor a complete reciprocity of trade with Canada, is the advantage which will accrue to both countries from the increase of the markets for their respective products. We shall be admitted to Canada; the Canadians to the United States. Their country is one of colder climate than ours, its products are therefore different, and its markets call for other products than those which its own soil affords. The supply of this demand is a legitimate commerce. Interchange of commodities between countries so situated is a movement of nature. And in this case its naturalness is increased by the configuration of the border line. The Canadian provinces impinge upon the United States much more than they do upon each other. They lie in groups, each of which has its closest geographical relations, not with the other groups, but with the adjoining part of this country. The Maritime Provinces find their counterpart in Maine; Quebec and Ontario join upon New Hampshire, Vermont, New York and Michigan; while Manitoba and the Canadian Northwest is the trade associate of Minnesota, and our Territories westward to the Pacific. Interchange across the line, between these closely joined regions, is as natural as the flow of rivers, and whatever may be done to check it, and to force a trade movement east and west through Canada, passing from one to the other of its severed groups, is done against the physical laws of their situation and interest.

In view of this, the burden of the present system of custom-house barriers, by which Canada repels our trade, and we, on our part repel hers, becomes unreasonable. Here is not only one line, but actually *two lines*, of custom-houses, and customs officers, maintained along the enormous stretch of territory

from the Atlantic to the Pacific. For nearly four thousand miles this mutual repulsion is set up. That it is costly to each nation is evident; that it can be entirely effective is impossible. And as the population on each side of the boundary increases, and especially as trade centres grow up in the vast region west of the great Lakes, it will become a task beyond the ability of either government to effectually guard the line.

In addition to these permanent reasons, a special one of great force and urgency presents itself. This is the necessity of settling the Fisheries Question. If peace between the two countries is to be preserved,—as certainly we all desire it shall be,—the complications of the fisheries business must be adjusted. It is conceded that, since the right of fishing was partitioned, a century ago, when by the treaty of 1783, the United States ceased to be in the same political community with Canada, no arrangement of the separate use of the right has been either lasting or satisfactory. The history of the whole business is one of continual dispute, coming at last to the present dead-lock of diplomacy. But Commercial Union will dispose of the Fisheries quarrel, finally and conclusively. If we reëstablish a common relationship to the fishing grounds for the fishermen of both countries, the difficulty will be solved, and the solution will be as simple and peaceful as it is just and permanent. Moreover, the evidence thus afforded of the value of Commercial Union reaches much farther than to the one case. What it will do for our present controversy over the Fisheries it will do as well for other causes of controversy. It will compose the difficulties that are in existence, and it will obviate those that, under our present system of unfriendly interests, are certain to develop. If it effected but the one result it would be a most desirable measure; its promise of effecting all results of the like nature makes it worth our most energetic endeavor.

That the proposal of Commercial Union must be appreciated in Canada, it is easy to see. The natural separation of the Dominion provinces into groups, and the difficulty of

forcing their trade into an east and west channel, are causes which continually manifest their unsatisfactory results in Canadian discussion. The Maritime Provinces desire commerce with New England, as nature intended they should have; while at the other extreme Manitoba is demanding that she be permitted her natural outlet for her crops southward through the Red River valley to Dakota, and the great mills and markets of Minnesota. So, too, Ontario desires trade with the adjoining states of our Union, populous and rich, and teeming with markets for her produce; while Quebec chafes under the restrictions that the present artificial and arbitrary arrangements impose upon her. These are facts, it is true, which concern Canada, and which her own statesmen must deal with; but they are none the less germane, as proof of the one great fact that the movement of commerce across the present boundary line of the two countries is that suggested by nature, and that restriction upon this should be imposed only for the strongest of reasons. The chafing of each group in the Dominion over the compulsion of its trade east and west, and the repression of it north and south, testifies against what is arbitrary and wasteful in favor of what is natural and beneficial.

The proposed arrangement commends itself to the approval of both classes of economists, in the two countries. It may very well be accepted by both. Those who desire freedom of trade see in this a step by which the area of unrestricted trade will be enlarged. On the other hand, Protectionists perceive that if the two countries agree with each other for the common maintenance of the protective system the stability of that policy in each must be all the more assured. For the friends of Protection in the United States acceptance of Commercial Union was made possible when Canada, in 1879, adopted her tariffs, and protected her manufactures against those of other countries, even including Great Britain. That step assimilated the policy of Canada to that of the United States, and gave the two a like position and interest. With the ports of Canada open to the wares of Europe, our customs

line along her border, however costly and burdensome, was a necessity ; but with her ports protected, the freedom of the boundary between us has become both prudent and easy. To remove the custom-houses will be to mutually strengthen both countries, adding to the protected markets of the one the protected markets of the other, to be profitably enjoyed by the diversified products of each. We shall receive from Canada her store of timber, prepared by Nature for civilized uses ; we shall receive, when our crops of agricultural products are deficient, the excess of those from Canada, without their cost being increased to the consumer. The coal of Nova Scotia may then reach New England, at the lowest cost, while any loss to our mines of this trade will be made up by shipments of our coal into Ontario and the Northwest. Unquestionably, it will afford our manufacturers of many lines of goods an increased market in Canada, while it will leave to that country the secure growth of those manufacturing industries that enjoy advantages of location, or that are especially adapted to Canadian conditions.

All the conditions make Commercial Union a fit and appropriate measure. If they were different it would not be such. If the two countries did not closely and naturally adjoin ; if they lay in the same belt, and competed with each other for the disposition of the same products ; if they were of different ranks in civilization ; if they differed materially in their standard of social condition ; if they held variant theories as to the proper status of the laboring people ; if they had divergent laws, or characteristics, or usages of trade—in any or all these circumstances, the argument for complete freedom of interchange would fail. But the actual circumstances favor it at every point. The conditions existing are in all essential particulars the reverse of those which would make the measure unfit.

No principle of the national policy prevailing in the two countries is, if properly considered, inimical to Commercial Union. As has been said, the agreement to maintain a common Tariff will necessarily stiffen and sustain the policy of protective

duties in each. And there is nothing in the doctrine of Protection which demands a restriction upon trade that does not strengthen the country employing it. If the time be opportune and the circumstances favorable for establishing with Canada a new and beneficial relation of trade it would be a misuse of the Protective theory to employ it as an argument in opposition.

It is not needful to discuss here all the details which should enter into the agreement between the two countries. Some of them may be difficult of adjustment; but all will yield, beyond a doubt, to a sincere effort at agreement. Nor is it necessary to consider what advantages Canada may expect to gain, which must particularly influence her in favor of the measure. We need only to know,—what is now the fact,—that the Canadian people favorably regard the proposal, and that they are certain to respond in a friendly temper to an overture from the United States for a serious and careful consideration of its possibility. We cannot expect them to urge it upon us; it will be quite enough if we find them, as we certainly shall, responsive to our offer of a negotiation upon the subject. Never before were the circumstances more propitious, and never before was it so desirable, for the special as for the general reasons which have been recited, to effect this great reform in the trade relations of the two countries.

To attempt once more to deal with the Fisheries Question in the way which has been found by the experience of more than a century to be unavailing or would seem scarcely worth the serious thought of statesmen. To deal with it on broader ground, upon principles whose application would resolve all difficulties of the like character, must surely commend itself to every mind. There should be no piece-meal bargaining over the fishing and the fish; the interests involved should find a solution of all their difficulties in the larger way. Nor is it possible for the United States to consider again the one-sided and injurious schemes of partial reciprocity which have twice heretofore been employed. If we are to have reciprocity at all, it must be made just to both sides, and give to each country the opportunity of getting the full benefit of an equitable freedom of trade with the other.

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