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CUSTOMS DUTIES (CANADA).

RETURN to an Address of the Honourable The House of Commons,
dated 5 May 1864;—for,

“ A COPY of any CORRESPONDENCE between the Colonial Office and the
Authorities in *Canada*, on the subject of the Removal or Reduction of
the DUTIES charged on BRITISH GOODS entering *Canada*.”

Colonial Office, }
16 June 1864. }

FREDERIC ROGERS.

(*Mr. Aytoun.*)

Ordered, by The House of Commons, to be Printed,
17 June 1864.

SCHEDULE

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COPY of any CORRESPONDENCE between the Colonial Office and the Authorities in *Canada*, on the subject of the Removal or Reduction of the DUTIES charged on BRITISH GOODS entering *Canada*.

— No. 1. —

(No. 40).

COPY of a DESPATCH from Governor the Right Honourable Sir *Edmund Head*, Bart., to the Right Honourable Sir *E. B. Lytton*, Bart.

No. 1.
Governor the Right Hon. Sir Edmund Head, Bart., to the Right Hon. Sir E. B. Lytton, Bart. 26 March 1859.

Government House, Toronto, C. W.,
26 March 1859.

Sir,

I HAVE the honour to enclose a copy of the Tariff of Customs Duties which has been enacted by the Legislature of this Colony.

It is to be regretted that the necessity which exists for meeting the financial engagements of the Province, and the depression of last year, have compelled the Government to propose rates of duty so high as those imposed by the present Act.

I am aware of the objections which may be offered to the principle of "ad valorem" duties; but I must necessarily leave the representatives of the people in Parliament to adopt that mode of raising supplies which they believe to be most beneficial to their constituents. There is nothing in the system adopted which professes to impose differential duties, or to fetter the freedom of trade

I have, &c.

The Right Hon. Sir E. B. Lytton, Bart.,
&c. &c. &c.

(signed) *Edmund Head*.

Enclosure in No. 1.

CAP. II.—An Act to amend the Act relating to Duties of Customs.

Enclosure in No. 1.

[Assented to 26th March 1859.]

WHEREAS it is expedient to amend the Tariff of Customs Duties now in force, in the manner hereinafter mentioned: therefore, Her Majesty, by and with the advice and consent of the Legislative Council and Assembly of Canada, enacts as follows:—

Preamble.

1. The Schedule to the Act passed in the 22d year of Her Majesty's reign, c. 76, intituled, "An Act to amend the Law relative to Duties of Customs and of Excise, and to impose new Duties; and a Duty on Tavern-keepers," containing the table of duties of Customs inwards, the table of exemptions, and the table of prohibitions, shall be repealed upon, from and after the day of the passing of this Act; except so much of the said Schedule as imposes or relates to the duties on sugar of any kind, or molasses, which shall remain in force until the 1st day of June 1859, and shall be repealed on that day, when the duties imposed on the said articles by the Schedule to this Act shall be levied; and except also, so much of the said Schedule as imposes or relates to the duties on green coffee and tea, which shall remain in force until the 1st day of January 1860, and shall be repealed on that day, when the duties imposed on the said articles by this Act shall be levied.

Schedule of duties under 22 Vict. c. 76, repealed.

Except those on sugar, until 1st June 1859.

And those on tea, until 1st January 1860.

2. Subject to the exceptions in the next preceding section, in lieu and instead of the duties of customs imposed by the Schedule and Act first above mentioned, and of all other duties of customs upon goods, wares and merchandize imported into this province, there shall be raised, levied, collected and paid unto Her Majesty, Her heirs and successors, upon goods, wares and merchandize imported into this province, or taken out of warehouse for consumption therein, the several duties of customs respectively described, inserted and set forth in the Schedule to this Act annexed, intituled, "Table of Duties of Customs Inward"; and the articles enumerated or mentioned in the table in the said Schedule, intituled, "Table of Free Goods," may be imported or taken out of warehouse without payment of any duty of customs under this Act; and the articles enumerated or mentioned in the table in the said schedule, intituled, "Table of Prohibitions," shall not be

Duties in the Schedule to this Act to be levied hereafter, except as aforesaid.

Free goods.

Prohibitions.

imported into this province, under the penalty therein mentioned, and if imported, shall be forfeited, and forthwith destroyed.

13 & 14 Vict. c. 6,
not to be affected.

But this Act shall not affect the "Copyright Act," 13 & 14 Vict. c. 6, or any duty imposed under it.

Sect. 8 of 22 Vict.
76, amended.

3. And in amendment of the eighth section of the Act above mentioned, it is enacted that the articles upon which, and the cases in which any drawback shall be payable under the said section, shall be those only upon and in which the Governor in Council shall, by the regulations to be from time to time made, declare such drawback to be payable.

Provisions of 10 &
11 Vict. c. 31, and
the Acts amending
it, to apply.

4. The foregoing provisions of this Act, shall be construed as forming one law with the Act passed in the session held in the 10th and 11th years of Her Majesty's reign, c. 31, and intituled, "An Act for repealing and consolidating the present Duties of Customs in this province, and for other purposes therein mentioned," and the Acts amending the same, in so far as they are in force, and consistent with this Act; and all words and expressions used in this Act shall have the meaning assigned to them in the said Acts, and all the provisions of the said Acts with regard to the duties imposed by them, or the regulations to be made under them, shall apply to the duties imposed by this Act, and the regulations to be made under it, except in so far as they may be inconsistent with this Act.

And so of interpreta-
tion words.

SCHEDULE.

TABLE OF DUTIES OF CUSTOMS INWARDS.

The following Goods shall be chargeable with Duty, according to the Value thereof, at the Rates hereinafter mentioned.

Goods paying 100 per cent.	Duty per cent. <i>ad valorem.</i>	Goods paying 15 per cent. from 1st January 1860 to 31st December 1861, both days inclusive,—	Duty per cent. <i>ad valorem.</i>
Brandy - - - - -	100 per ct.	Goods paying 10 per cent. from 1st January 1862 to 31st December 1862, both days inclusive,—	
Gin - - - - -		Goods paying 5 per cent. upon, from, and after the 1st January 1863,—	
Cordials - - - - -		The present duties remain in force until the end of the year 1859:	
Rum - - - - -		Coffee, green - - - - -	15 per cent.
Spirits and strong waters, including spirits of wine, and alcohol, not being whisky -		Tea - - - - -	10 "
Goods paying 40 per cent. from 1st June 1859 to 30th June 1860, both days inclusive,—			5 "
Goods paying 35 per cent. from 1st July 1860 to 30th June 1861, both days inclusive,—			
Goods paying 25 per cent. from 1st July 1861 to 30th June 1862, both days inclusive,—			
Goods paying 15 per cent. upon, from, and after the 1st July 1862,—			
The present duties remain in force until the end of May 1859:			
Sugar, refined, whether in loaves or lumps, candied, crushed, or in any other form; white bastard sugar or other sugar equal to refined in quality	40 per cent.	Goods paying 30 per cent.	
Goods paying 40 per cent.	35 "	Almonds, walnuts, and filberts - - - - -	30 per cent.
Cigars - - - - -	25 "	Ginger, pimento, and pepper, ground - - - - -	
Goods paying 30 per cent. from 1st June 1859 to 30th June 1860, both days inclusive,—	15 "	Mace, nutmegs, and cinnamon - - - - -	
Goods paying 25 per cent. from 1st July 1860 to 30th June 1861, both days inclusive,—		Nuts of all kinds - - - - -	
Goods paying 15 per cent. from 1st July 1861 to 30th June 1862, both days inclusive,—		Patent medicines and medicinal preparations not elsewhere specified - - - - -	
Goods paying 10 per cent. upon, from, and after the 1st July 1862.		Spices, ground - - - - -	
The present duties remain in force until the end of May 1859:		Snuff - - - - -	
Sugar, being neither refined, nor white bastard, nor other sugar equal to refined in quality	30 per cent.	Wine of all kinds - - - - -	
Molasses - - - - -	25 "	Currants - - - - -	
	15 "	Dried fruit - - - - -	
	10 "	Figs - - - - -	
		Coffee, ground or roasted - - - - -	
		Blacking - - - - -	
		Tobacco, manufactured - - - - -	
		Soap - - - - -	
		Starch - - - - -	
		Ale, beer, and porter - - - - -	
		Goods paying 25 per cent.	
		Manufactures of Leather, viz.:	
		Boots and shoes - - - - -	25 per cent.
		Harness and saddlery - - - - -	
		Clothing or wearing apparel made by hand or sewing machine - - - - -	
		Goods paying 15 per cent.	
		Book, map, and news-printing paper - - - - -	15 per cent.

Goods paying 10 per cent. :

- Anchors, 6 cwt. and under
- Books, printed; periodicals and pamphlets not being reprints of British copyrights, nor blank account books, or copy books, or books to be written or drawn upon; and excepting also Bibles, Testaments, prayer-books, and devotional books
- Brass in bars, rods, and sheets
- Brass or copper wire and wire cloth
- Cameos or mosaics, real or imitation, when set in gold, silver, and other metal
- Canada plates, tinned plates, galvanized iron, and sheet iron
- Copper, in bars, rods, bolts, or sheets
- Silk twist, for hats, boots, and shoes
- Iron, bar, rod, or hoop
- Iron, nail and spike rod
- Iron, hoop or tire, for driving wheels of locomotives, bent and welded
- Iron, boiler plate
- Iron, railroad bars, wrought iron chairs, and spikes
- Iron, rolled plate
- Iron wire
- Jewellery and watches
- Lead in sheet
- Maps, charts, and atlases
- Sails, ready made
- Spirits of turpentine
- Steel, wrought or cast
- Cotton candle wick, cotton yarn, and cotton warp
- White lead, dry
- Plaster of Paris, ground and calcined
- Hydraulic cement, ground and calcined
- Red lead
- Litharge
- Phosphorus
- Medicinal roots
- Drain tiles for agricultural purposes
- Engravings and prints
- Straw, Tuscan, and grass fancy plaits
- Tin, granulated or bar
- Tubes and piping, of copper, brass, or iron, when drawn
- Zinc or spelter, in sheet
- Locomotive and engine frames, cranks, crank axles, railway car and locomotive axles, piston rods, guide and slide bars, crank pins, connecting rods, steamboat and mill shafts and cranks, forged in the rough

Goods paying 20 per cent.

All articles not hereinbefore enumerated as charged with an *ad valorem* duty, or hereinafter charged with a specific duty, or declared free of duty, shall be chargeable with a duty of 20 per cent. on the value thereof.

Goods paying Specific Duties.

Whisky of any strength not exceeding the strength of proof by Sykes' hydrometer, shall be chargeable with a duty of 18 cents. per gallon, and so in proportion for any greater strength or less quantity than a gallon.

TABLE of Free Goods.

- Acids of every description, except vinegar
- Agricultural Societies—Seeds of all kinds, farming utensils, and implements of husbandry, when specially imported by, for the encouragement of agriculture
- Alum

Duty per cent. *ad valorem*

TABLE of Free Goods—continued.

- Anatomical preparations
- Anchors, over 6 cwt.
- Animals of all kinds
- Antimony
- Antiquities, collections of
- Apparel, wearing, and other personal effects, and implements of husbandry (not merchandise) in actual use of persons coming to settle in the province, and accompanying the owner
- Apparel, wearing, of British subjects dying abroad
- Argol
- Arms for the Army or Navy and Indian nations, provided the duty otherwise payable thereon would be paid or borne by the Treasury of the United Kingdom, or of the province
- Ash, pot, pearl, and soda
- Bark, tanners'
- Bark, used solely in dyeing
- Barley, except pot and pearl
- Barley meal
- Beans
- Bean meal
- Bear and bigg
- Bear and bigg meal
- Berries, used solely in dyeing
- Bibles, Testaments, Prayer Books, and devotional books
- Bleaching powder
- Bolting cloths
- Borax
- Bookbinders' tools and implements
- Books, maps, and charts, imported not as merchandise, but as the personal effects of persons arriving in Canada, to become *bonâ fide* residents of the province
- Bottles containing wine, spirituous or fermented liquors, of officers' mess
- Brandy imported for officers' mess
- Bran and shorts
- Brimstone
- Bristles
- Broom corn
- Buckwheat
- Buckwheat meal
- Bulbs and roots other than medicinal
- Bullion
- Burrstones, wrought or unwrought, but not bound up into millstones
- Butter
- Coin and bullion
- Cabinets of coins
- Cables:
 - Iron chain, over three-fourths of an inch diameter
 - Hemp
 - Grass
- Carriages of travellers, and carriages employed in carrying merchandise (hawkers and circus troupes excepted)
- Casks, ships' water, in use
- Caoutchouc or India rubber, and gutta percha, unmanufactured
- Cement, marine or hydraulic, unground
- Charitable societies, donations of clothing for gratuitous distribution by
- Cheese
- Clothing for Army or Navy, or Indian nations, or for gratuitous distribution by any charitable society
- Coal
- Cochineal
- Coke
- Commissariat stores
- Copperas

10 per cent.

20 per cent.

Duty.

Dolls. cts.

- 18

Free.

Free.

TABLE of Free Goods—continued.

Corkwood, or the bark of the corkwood tree	
Corn, Indian	
Cotton and flax waste	
Cotton wool	
Cream of tartar in crystals	
Diamonds and precious stones	
Drugs used solely in dyeing	
Dye stuffs, viz.: bark, berries, drugs, nuts, vegetables, woods, and extract of log-wood	
Earths, clays and ochres, dry	
Eggs	
Emery	
Emery, glass, and sand paper	
Felt hat bodies and hat felt	
Fire-brick	
Firewood	
Fish	
" oil, in its crude or natural state	
" products of, unmanufactured	
Fishing nets and seines	
Fish-hooks, lines, and fish-twines	
Flax, hemp, and tow, undressed	
Flour	
Fruits, green	
Fruits, dried, the growth of the United States only, while the Reciprocity Treaty is in force	
Furs, skins, pelts, or tails undressed, when imported directly from the United Kingdom or British North American Provinces, or from the United States, while the Reciprocity Treaty is in force	
Gems and medals	
Gold beaters' brim moulds and skins	
Gravels	
Grains:	
Barley and rye	
Beans and peas	
Bear and bigg	
Bran and shorts	
Buckwheat	
Indian corn	
Oats	
Wheat	
Meal of above grains	
Grindstones, wrought or unwrought	
Gums and resins, in a crude state	
Gypsum or plaster of Paris, ground or unground, but not calcined	
Grease and scraps	
Hams	
Hair, Angola, goat, Thibet, horse, or mohair, unmanufactured	
Hemp	
Hides	
Horns	
Household furniture and effects that have been in actual use for one month or more, of persons coming to settle in this Province, and in charge of the owner	
Household effects, personal, not merchandise, of subjects of Her Majesty domiciled in Canada, but dying abroad	
Indigo	
Inventions and improvements in the arts, models or patterns of; provided that no article shall be deemed a model which can be fitted up for use	
Junk and oakum	
Lard	
Lime, the produce of British North American Provinces only	

TABLE of Free Goods—continued.

Machinery, models and patterns of; provided the same be not put to actual use	
Manilla grass	
Manures of all kinds	
Marble in blocks or slabs-unpolished	
Meats, fresh, smoked and salt	
Menageries, horses, cattle, carriages, and harnesses of; subject to regulations by the Governor in Council	
Military clothing for Her Majesty's troops or militia	
Military stores and materials for military clothing imported for the use of the Provincial militia, under such restrictions as may be passed by Governor in Council.	
Mosses and sea grass, for upholstery purposes	
Musical instruments for military bands	
Nitre or saltpetre	
Oakum	
Oils:—cocoa nut, pine, and palm, in their crude, unrectified, or natural state	
Oil cake or linseed cake	
Ordnance stores	
Ores, of all kinds of metals	
Osier or willow, for basket-makers' use	
Packages of all kinds in which goods are usually imported, except the following, viz.: spirit, wine, oil, beer, cider, and other casks for the containing of liquid, baskets of every description, trunks, snuff jars, earthenware jars, glass jars, bottles, and barrels containing, grain, seeds, and peas	
Pig iron, pig lead, and pig copper	
Pitch and tar	
Philosophical instruments and apparatus, globes	
Plants, shrubs, and trees	
Printing inks and printing presses	
Provisions for Army or Navy, or Indian nations	
Rags	
Resin and rosin	
Rice	
Sail-cloth	
Sal soda	
Sal ammoniac	
Salt	
Seeds, for agricultural, horticultural, or manufacturing purposes only	
Ships' blocks	
Binnacle lamps	
Bunting	
Canvas, sail, Nos. 1 to 6	
Compasses	
Dead-eyes	
Dead lights	
Deck plugs	
Shackles	
Sheaves	
Signal-lamps	
Travelling trucks	
Cordage which upon importation shall have paid the duty of Customs, shall be entitled to drawback under the 8th sect. 22 Vict. c. 76, when applied to ship-building purposes, and under such regulations as the Governor in Council may make	
Ships' water casks in use	
Silk hat felts	
Soda ash	
Sago flour	

Free.

Free.

CUSTOMS DUTIES (CANADA).

TABLE of Free Goods—continued.		TABLE of Free Goods—continued.	
Specimens of natural history, mineralogy, or botany Stone, unwrought Slate Stereotype blocks, for printing purposes Statues, busts, and casts, of marble, bronze, alabaster or plaster of Paris, paintings and drawings as works of art, specimens of sculpture, cabinets of coins, medals, gems, and all collections of antiquities Sulphur or brimstone Tin and zinc or spelter in block or pig Tallow Teasels Timber and lumber of all kinds, round, hewed, sawed, unmanufactured in whole or in part Tobacco, unmanufactured Tools and implements of trade of handicraftsmen arriving in Canada, when accompanied into the Province by the actual settler, and brought in by such settler for his own use, and not for sale Treenails Turpentine other than spirits of turpentine Type metal, in blocks or pigs Varnish, bright and black, for ship builders, other than copal, carriage, shellac, mastic, or japan	Free.	Vegetables, not elsewhere specified Vehicles of travellers, except those of hawkers and pedlars Water lime, unground Wine, spirits, and fermented liquors of all kinds, imported for officers' mess, and the packages containing the same Wood for hoops when not notched Woods of all kinds Wool	Free.
		All importations for the use of Her Majesty's Army and Navy serving in Canada, or for the public uses of the Province TABLE of Prohibitions. The following articles are prohibited to be imported under a penalty of 50 <i>l.</i> , together with the forfeiture of the parcel or package of goods in which the same may be found: Books, drawings, paintings, and prints of an immoral and indecent character Coin, base or counterfeit	Prohibited.

— No. 2. —

(No. 23.)

COPY of a DESPATCH from his Grace the Duke of Newcastle, K.G., to Governor the Right Honourable Sir Edmund Head, Bart.

No. 2.
 The Duke of Newcastle, K.G., to Governor the Right Hon. Sir Edmund Head, Bart.
 13 August 1859.
 1 August 1859.

Sir,

Downing-street, 13 August 1859.

I HAVE the honour to transmit to you the copy of a Memorial which has been addressed to me by the Chamber of Commerce and Manufactures at Sheffield, representing the injury anticipated to their commerce by the increased duties which have been imposed on imports by the late Canada tariff.

I request that you will place this representation in the hands of your Executive Council, and observe to that body that I cannot but feel that there is much force in the argument of the Sheffield manufacturers. Practically, this heavy duty operates differentially in favour of the United States, in consequence of the facility for smuggling which so long a line of frontier affords, and the temptation to embark in it which a duty of 20 per cent. offers. Regarded as a fiscal expedient, the measure is impolitic; for whilst any increase of contraband trade must be at the expense of the Exchequer, the diminution of foreign importations will probably more than neutralise the additional revenue derived from the higher duty.

Whenever the authenticated Act of the Canadian Parliament on this subject arrives, I may probably feel that I can take no other course than signify to you the Queen's assent to it, notwithstanding the objections raised against the law in this country; but I consider it my duty no less to the Colony than to the Mother Country, to express my regret that the experience of England, which has fully proved the injurious effect of the protective system, and the advantage of low duties upon manufactures, both as regards trade and revenue, should be lost sight of, and that such an Act as the present should have been passed. I much fear the effect of the law will be that the greater part of the new duty will be paid to the Canadian producer by the colonial consumer, whose interests, as it seems to me, have not been sufficiently considered on this occasion.

I have, &c.
 (signed) Newcastle.

Enclosure in No. 2.

Chamber of Commerce and Manufactures,
Sheffield, 1 August 1859.

My Lord Duke,

Enclosure in No. 2.

I HAVE the honour to enclose a Memorial from this Chamber of Commerce respecting the greatly augmented duties levied upon manufactured imports into the Canadian Colonies.

This Memorial is presented in accordance with a wish expressed by your Grace at an interview granted to a deputation from this Chamber on Wednesday the 20th of July last.

It sets forth the main points in which these greatly increased duties are burdensome to home commerce; and this Chamber begs that the subject may receive your Grace's attention.

I have, &c.
(signed) Charles E. Smith,
Honorary Secretary.

His Grace the Duke of Newcastle, K. G.,
&c. &c. &c.

To His Grace the Duke of Newcastle, Secretary of State for the Colonies.

Chamber of Commerce and Manufactures, Sheffield,
1 August 1859.

My Lord Duke,

In accordance with a promise made by us on the 20th ultimo, when we had the honour of waiting upon your Grace on behalf of the merchants and manufacturers of Sheffield, to represent the injury anticipated to the trade of this town from the recent advance of the import duties of Canada, we now beg respectfully to re-state the reasons why such injury is apprehended. These reasons may be said to be twofold; first, those arising from a conviction that it is the deliberate policy of the Government of Canada to foster native manufactures by fiscal protection, and every other means in their power, and, second, those arising from a consideration of the fact that there exists close to the Canadian frontier a body of competing United States manufacturers, to whom such contiguity more than counterbalances the fact that they have to pay the same duties as ourselves.

For proof that we are not mistaken about what the policy of the Canadian Government is, we would refer your Grace to the tone of the whole press of Canada, to the speeches of members of the Canadian Parliament, on both sides of the House, and especially to the steady increase of duties levied on Sheffield goods under every successive tariff. It will be sufficient to say on the last point, that within 18 years or less, the duty levied on Sheffield goods has been steadily advanced from 2½% to 20%. We would remind your Grace, in the second place, that while there is a protection in favour of Canadian manufactures against Sheffield of from 35% to 40%, consisting of land carriage, freight, insurance, commission, shipping expenses, duty, &c., that owing to the close contiguity of, and cheap transit from the competing seats of American industry, similar goods can be sent across the Canadian frontier by United States manufacturers at a cost of from 22½ to 25%. It is, therefore, plain that the American manufacturer has actually an advantage over the Sheffield manufacturer of from 12½ to 15%. As this is a natural protection, however, and consequently one which remains about the same, be the Canadian duty what it may, we only name it to show your Grace how great the obstacles are naturally against which Sheffield labour has to struggle, and for the purpose of remarking as another objection to any increase of duty, that it is actually the interest of American manufacturers that the Canadian duties should be raised, since any hinderance or confusion caused to Sheffield manufacturers can only tend to divert the demand towards markets easier of access, and with which intercourse is more quickly exchanged than with Sheffield. It is important too, to remember that the American manufacturer has more than 1,000 miles of unguarded frontier across which he can smuggle with impunity. The merchants and manufacturers of Sheffield have no wish to obtain special exception for themselves, and do not complain that they are called upon to pay the same duty as the American or the German, neither do they claim to have their goods admitted free of duty; all they ask is, that the policy of protection to native manufactures in Canada should be distinctly discountenanced by Her Majesty's Government, as a system condemned by reason and experience, directly contrary to the policy solemnly adopted by the Mother Country, and calculated to breed disunion and distrust between Great Britain and her Colonies. It cannot be regarded as less than indecent, and a reproach, that, while for 15 years the Government, the greatest statesmen, and the press of this country have been not only advocating, but practising the principles of free trade, the Government of one of her most important Colonies should have been advocating monopoly and protection. Under the artificial stimulus of this system, extensive and numerous hard-ware manufactories have

have sprung up both in Canada East and West, and the adoption of increasing duties has been the signal for more to be commenced. We are aware that the fiscal necessities of the Canadian Government are urged as the chief cause for passing the late Tariff Bill. This is not the whole truth; no one can read the papers of the provinces and the speeches of the Members of both Houses, and be deceived for an instant, but even if that were the cause, we conceive that Her Majesty's Government has a right to demand that what revenue is needed shall be raised in some other way than that which is opposed to the acknowledged commercial policy of the Imperial Government, and destructive of the interests of those manufacturing towns in Great Britain which trade with Canada. As some evidence that this new tariff is objectionable on Colonial grounds, we would draw your Grace's attention to the following extract:—

The New Canadian Tariff:—"Mr. Galt's tariff is bearing with dreadful severity on our trade. The imports at Toronto for the first six months of 1859 were 1,939,928 dollars, while those of the corresponding period last year were 1,534,131 dollars, showing an increase of only 27 per cent. The duties collected in the same period, in 1858, were 168,161 dollars, and in 1859, 286,100 dollars, which shows an augmentation on the burdens of the people of very nearly 70 per cent. The exports, during the six months of 1859, were only 147,444 dollars; 37,069 dollars less than in 1858, and 138,656 dollars less than we paid in duties alone. With decreased means of payment we have imported more and paid more to the Government than last year. How can a country prosper under such burdens as the present Government have imposed?"—Toronto (W. C.), "Globe" of July 8th.

We remain, &c.
 (signed) Charles Atkinson,
 Mayor of the Borough of Sheffield,
 Robert Jackson,
 Master Cutler,
 For John Jobson Smith,
 President of the Chamber of Commerce.
 Charles E. Smith,
 Honorary Secretary.

— No. 3. —

(No. 57.)

COPY of a DESPATCH from His Grace the Duke of Newcastle, K.G., to Governor the Right Honourable Sir Edmund Head, Bart.

No. 3.
 The Duke of Newcastle, K.G., to Governor the Right Hon. Sir Edmund Head, Bart.
 5 November 1859.
 * Page 7.
 † Page 3.

Sir,
 Downing-street, 5 November 1859.
 WITH reference to my Despatch, No. 23 * of the 13th of August, relative to the Tariff of Customs Duties recently enacted by the Legislature of Canada, a copy of which was transmitted to me with your Despatch, No. 40 † of the 26th of March last, I enclose, for your information the copy of a report on the subject of that Tariff, which has been prepared by the Board of Trade.

Governor Sir E. Head,
 &c. &c. &c.

I have, &c.
 (signed) Newcastle.

Enclosure in No. 3.

Sir,
 Office of Committee of Privy Council for Trade,
 Whitehall, 20 October 1859.
 I HAVE laid before the Lords of the Committee of Privy Council for Trade your letter of the 26th September last, transmitting for their consideration, by direction of the Duke of Newcastle, a copy of an Act of the present Session of the Canadian Parliament, an Act of the preceding Session imposing duties of customs.

Enclosure in No. 3.

In reply, I am to request that you will state to his Grace, that the Tariff annexed to the present Act contains modifications of the one established by the Act of 1858, the most striking feature of which is the extension of *ad valorem* duties to those articles, which under the latter Act were charged with specific and rated duties.

The Act is, however, still open to the principal objection to which the former Act was liable, viz., the augmentation of the duties upon all the most important articles of manufacture from 15 per cent., which was the rate of duty charged upon them prior to 1858, to 20 and 25 per cent.

Among those articles liable under the present Tariff to 20 per cent. *ad valorem*, are all the leading textile fabrics, such as cottons, woollens, silks, and linens, as well as iron and hardware, earthenware, and unmanufactured leather, while manufactures of leather, viz., harness and saddlery, boots and shoes, are charged with 25 per cent. *ad valorem*.

Of all these articles the Colony has hitherto drawn its principal supply from the United Kingdom.

The aggregate revenue derived from the duties upon these articles alone, exclusive of manufactures of leather in 1857 was 487,306 *l*.

The increased taxation upon them under the new Tariff will amount, assuming the trade to maintain its present value, to no less a sum than 159,102 *l*.

It is unnecessary to remark that the increased burden thus placed upon a trade of so much importance, cannot fail to be severely felt by the exporters of the United Kingdom, as well as by the consumers in the Colony, and cannot but be regarded by my Lords with much regret.

This regret is increased by the reflection, that, owing to the facilities afforded by the extensive inland frontier of Canada for contraband trade, the present measure has a direct tendency to encourage the competition of United States manufacturers in the Canadian markets, while by the protection which it will at the same time afford to the manufactures of the Province, it will favour the interests of a very small class at the expense of the body of the population.

My Lords observe that Sir E. Head states in the Despatch which accompanies this Act, that it is required to meet the financial engagements of Canada.

Having regard to the statement, and also to the local peculiarities of the Province which may be supposed to render it difficult for the Legislature to draw their principal Customs Revenue from those articles of importation, which in the United Kingdom afford the main resource of the Exchequer with the least possible injury to the trade; viz., tea, tobacco, sugar, wine and spirits, my Lords are not prepared to condemn the course which has been adopted.

They think, however, that in leaving the Act to its operation, Her Majesty's Government should express their regret that the fiscal requirements of Canada should have compelled it to resort to a measure so objectionable in principle, and their apprehension of the injurious effect which it is calculated to produce upon the industrial progress of the Province.

I am to add, that in the present Act a duty of 10 per cent. *ad valorem* is imposed upon all "printed books," &c., not being reprints of British copyrights, which prior to 1858 were admitted duty free, while reprints of such copyrights remain still subject to the duty of 15 per cent. *ad valorem*, only imposed under the Canadian Act of the 13th & 14th Vict. c. 6.

The effect of this change will be to diminish by two-thirds the amount of protection hitherto enjoyed by British authors entitled to copyright; and as this protection was given in lieu of the monopoly which they previously possessed in the Colonial market, my Lords would submit that it constitutes a departure from the understanding upon which Her Majesty was advised to give effect to the Canadian Act, to which I have referred, by Her Order in Council, of the 12th December 1850, which was issued on the ground that the Act in question afforded a reasonable compensation to British authors for the loss of their monopoly.

The Duke of Newcastle is aware that under the Act above referred to, it is provided that the proceeds of the duty upon reprints of English copyright works shall be paid into a fund, to be distributed among those who are beneficially interested in the copyright of such works, that it may be said that if the effect of this change should be, as may be expected, to stimulate the importation of such reprints, this fund will be proportionately augmented; but as this contingency appears to my Lords to afford a very doubtful compensation to British authors for the diminution of the protection which they have hitherto enjoyed, they think that the attention of the Governor should be called to this provision of the Act, and that he should be instructed to take the earliest occasion of proposing to the Legislature of the Province to restore the original arrangements, either by admitting English copyrights duty free, or by augmenting the duty upon reprints of such works to 25 per cent. *ad valorem*.

Herman Merivale, Esq., C. B.

I am, &c.
(signed) James Booth.

— No. 4. —

(No. 118.)

COPY of a DESPATCH from Governor the Right Honourable Sir *Edmund Head*, Bart., to His Grace the Duke of *Newcastle*, K. G.

No. 4.
Governor the Right
Hon. Sir Edmund
Head, Bart., to
His Grace the
Duke of Newcastle,
K. G.

Government House, Quebec,
11 November 1859.

My Lord Duke,

I DID not fail immediately to call the attention of my Council to your Despatch of 13th August, No. 23.* The subject was by them referred to the Finance Minister, Mr. Galt, who has reported thereon.

* Page 7.

According to the recommendation of the Council, I now forward for your Grace's consideration a copy of this Report.

I have &c.,
(signed) *Edmund Head*.

His Grace the Duke of Newcastle, K. G.,
&c. &c. &c.

Enclosure in No. 4.

COPY of a Report of a Committee of the Executive Council approved by His Excellency the Governor General, on the 12th of November 1859.

Enclosure in No. 4.

ON the Report of the Honourable the Minister of Finance, dated 25th October ultimo, submitting certain remarks and statements upon the Despatch of his Grace the Duke of Newcastle, dated 13th August, and upon the Memorial of the Chamber of Commerce of Sheffield, dated 1st August, transmitted therewith,—

The Committee concur in the views expressed by the Minister of Finance, and recommend that a copy of his Report be forwarded by your Excellency to Her Majesty's Secretary of State for the Colonies.

Certified,
(signed) *William H. Lee*, C. E. C.

R E P O R T.

The Minister of Finance has the honour respectfully to submit certain remarks and statements upon the Despatch of His Grace the Duke of Newcastle, dated 13 August, and upon the Memorial of the Chamber of Commerce of Sheffield, dated 1 August, transmitted therewith.

It is to be deeply regretted that his Grace should have given to so great a degree the weight of his sanction to the statements in the Memorial, without having previously afforded to the Government of Canada the opportunity of explaining the fiscal policy of the province and the grounds upon which it rests. The representations upon which his Grace appears to have formed his opinions are those of a provincial town in England, professedly actuated by selfish motives; and it may fairly be claimed for Canada, that the deliberate acts of its Legislature representing nearly three millions of people, should not have been condemned by the Imperial Government on such authority, until the fullest opportunity of explanation had been afforded. It is believed that nothing in the Legislation of Canada warrants the expressions of disapproval which are contained in the Despatch of his Grace, but that on the contrary due regard has been had to the welfare and prosperity of Her Majesty's Canadian subjects.

From expressions used by his Grace in reference to the sanction of the Provincial Customs Act, it would appear that he had even entertained the suggestion of its disallowance; and though, happily Her Majesty has not been so advised, yet the question having been thus raised, and the consequences of such a step, if ever adopted, being of the most serious character, it becomes the duty of the Provincial Government distinctly to state what they consider to be the position and rights of the Canadian Legislature.

Respect to the Imperial Government must always dictate the desire to satisfy them that the policy of this country is neither hastily nor unwisely formed; and that due regard is had to the interests of the Mother Country as well as of the Province. But the Government of Canada acting for its Legislature and people cannot, through those feelings of deference which they owe to the Imperial authorities, in any manner waive or diminish the right of the people of Canada to decide for themselves both as to the mode and extent to which taxation shall be imposed. The Provincial Ministry are at all times ready to afford explanations in regard to the acts of the Legislature to which they are party; but

subject to their duty and allegiance to Her Majesty, their responsibility in all general questions of policy must be to the Provincial Parliament, by whose confidence they administer the affairs of the country; and in the imposition of taxation, it is so plainly necessary that the Administration and the people should be in accord, that the former cannot admit responsibility or require approval beyond that of the local Legislature. Self-government would be utterly annihilated if the views of the Imperial Government were to be preferred to those of the people of Canada. It is, therefore, the duty of the present Government distinctly to affirm the right of the Canadian Legislature to adjust the taxation of the people in the way they deem best, even if it should unfortunately happen to meet the disapproval of the Imperial Ministry. Her Majesty cannot be advised to disallow such acts, unless Her advisers are prepared to assume the administration of the affairs of the Colony irrespective of the views of its inhabitants.

The Imperial Government are not responsible for the debts and engagements of Canada. They do not maintain its judicial, educational, or civil service; they contribute nothing to the internal government of the country, and the Provincial Legislature acting through a ministry directly responsible to it, has to make provision for all these wants; they must necessarily claim and exercise the widest latitude as to the nature and extent of the burthens to be placed upon the industry of the people. The Provincial Government believes that his Grace must share their own convictions on this important subject; but as serious evil would have resulted had his Grace taken a different course, it is wiser to prevent future complication by distinctly stating the position that must be maintained by every Canadian Administration.

These remarks are offered on the general principle of colonial taxation. It is, however, confidently believed, that had his Grace been fully aware of the facts connected with the recent Canada Customs Act, his Despatch would not have been written in its present terms of disapproval.

The Canadian Government are not disposed to assume the obligation of defending their policy against such assailants as the Sheffield Chamber of Commerce; but as his Grace appears to have accepted these statements as correct, it may be well to show how little the memorialists really understood of the subject they have ventured to pronounce upon so emphatically.

The object of the Memorial, is "to represent the injury anticipated to the trade of this town (Sheffield), from the recent advance of the import duties of Canada." To this it is sufficient reply to state that no advance whatever was made on Sheffield goods by the Customs Act in question; the duty was 20 per cent. on these articles enumerated in the former tariff, and the only difference is, that they are now classed as un-enumerated, paying the same duty. But on the other hand, by the present tariff, the raw material, iron, steel, &c., used in the manufacture of such goods, has been raised from 5 per cent. to 10 per cent.; consequently under the Act of which the Memorialists complain, their position in competing with the Canadian manufacturer is actually better than under the previous tariff. The establishment of this fact entirely destroys the force of the whole argument in the Memorial, as regards the trade they especially represent.

The Chamber of Commerce, in their anxiety to serve the interests of their own trade, have taken up two positions from which to assail the Canadian tariff, which are, it is conceived, somewhat contradictory. They state that it is intended to foster native manufactures, and also that it will benefit United States manufacturers. It might be sufficient to say that the tariff cannot possibly effect both these objects, as they are plainly antagonistic; but it may be well to put the Chamber of Commerce right on some points connected with the competition they encounter from the American manufacturers. There are certain descriptions of hardware and cutlery which are manufactured in a superior manner by the American and Canadian manufacturers, and these will not, under any circumstances, be imported from Sheffield. In these goods there is really no competition; their relative merits are perfectly well known, and the question of duty or price does not decide where they shall be bought. In regard to other goods in which Sheffield has to compete with the United States, it can be easily shown that no advantage can by possibility be enjoyed by the foreigner in the Canadian market, because Sheffield is able now to export very largely of these very goods to the American market, paying a duty of 24 per cent., and competing with the American maker. Certainly, then, in the Canada market Sheffield, paying only 20 per cent. duty, can have nothing to fear from American competition, which is subject also to the same duty, and even if admitted absolutely free, would yet be somewhat less able to compete than in the United States. The fact is, that certain goods are bought in the Sheffield market, and certain in the American. We have in Canada tradesmen who make goods similar to the American, but not to the Sheffield; and if our duty operates as an encouragement to manufacturers, it is rather against the American than the English manufacturer, as any one acquainted with this country well knows.

The Chamber of Commerce is evidently quite ignorant of the principle upon which the valuation of goods for duty is made by Canada, which is on the value in the market where bought. The Sheffield goods are therefore admitted for duty at their price in Sheffield, while the American goods are taken at their value in the United States. This mode of valuation is clearly in favour of the British manufacturer, and is adopted with the deliberate intention of encouraging the direct trade, as will be shown hereafter.

The calculations offered by the Chamber of Commerce as to the cost of delivering Sheffield and American goods in Canada are wholly erroneous; they state the cost as 35 per cent. to 40 per cent., against 22½ per cent. to 25 per cent.; but their whole case rests upon

upon the assumption that the original cost of both is the same, which is manifestly absurd, both as shown, indirectly, by Sheffield being a large exporter to the States, and, directly, from the fact that, in the case of the American maker, his raw material has to pay a duty of 24 per cent., while he requires higher interest both for his fixed and working capital, and has to pay larger wages for skilled labour.

The Chamber of Commerce attaches much weight to their allegation, that Canada has "more than 1,000 miles of unguarded frontier;" this is, like most of those in the Memorial, a mere reckless assertion, made in ignorance of facts. The frontier of Canada is not crossed by a road of any description, but one (the Kennebec) east of the 45° parallel of latitude; it extends about 120 miles along the parallel to the River St. Lawrence; thence up the river about 100 miles to Lake Ontario, above which it is separated from the United States by the Great Lakes, averaging 60 miles in width, to the extreme west of Lake Superior; with the two exceptions of the Niagara river, 30 miles, for a considerable extent impassable, and by the Detroit and St. Clair rivers, 70 miles. The lakes are not navigated in winter, and in summer offer great obstacles to smuggling, from causes which it would take too much space to recite; consequently, the frontier which offers any avenues for smuggling is limited in reality to about 320 miles in all; and so far from being unguarded, a most efficient and zealous staff of officers is employed upon it, occupying every available route. Railways have also to a great extent removed the temptation and ability to smuggle; the goods are all brought from the United States to the frontier by rail, and it is cheaper to pay the duty demanded on goods generally (say, 20 per cent.) than to incur the additional expense of seeking another mode of conveyance, combined with the risk of a contraband trade. Smuggling, to a certain extent, no doubt takes place, but it is generally for the mere supply of frontier villages and settlements, and in most cases of seizure we find that the goods are of the most portable description; whisky and manufactured tobacco are the only bulky articles ever smuggled, and on these articles the duties are 70 per cent. and 40 per cent. They would not be smuggled were public opinion satisfied with the imposition of a lower duty, say 20 per cent.

The Chamber of Commerce has chosen to allege as its authority for assailing the present Canadian Customs duties, the newspaper statements to which they have had access, and the memorialists have permitted themselves, on such authority, to use most unbecoming language towards the Government of Canada. It would have been more proper had they quoted the statements of the policy of the Government made by its Finance Minister, rather than those of the public press, and on this point there is now submitted an extract from the remarks made by Mr. Galt on the introduction of the new tariff, and which were fully reported in all the leading newspapers:—"There is no more important question that can engage the attention of any country than its commercial policy. There are some who would do away with customs' duties altogether, and have resort to direct taxation. Others, again, are in favour of a tariff which shall afford protection to native industry, and avoid the necessity of importing goods from abroad. I think it is impossible for Canada to adopt altogether either of those measures as a final policy. I think we must have reference to what are the great interests of the country in reference to taxation. The first of them undoubtedly is agriculture. There is also a large portion of the people engaged in the manufacture of timber, and the commercial interest is by no means small. There is also a manufacturing interest growing up, but it has not yet attained the magnitude of the others of which I have spoken. I do not believe that the adoption of a protective policy is possible in Canada, on account of the extensive frontier that she has to protect. It is plain that if we raise the duties beyond a certain point we offer a reward to unscrupulous persons to engage in contraband trade; and again if by raising the duty on those articles too high we prevent their introduction, we must necessarily have recourse to direct taxation. I do not think it possible or desirable that taxation should be raised to the rate adverted to. The duties imposed are moderate, and since they had been raised from 12½ per cent. to 15, various manufactures have been created, have thriven, and are still thriving, and I am not aware that during the recent extraordinary monetary crisis they have suffered to any extent. It is right, in raising a revenue, to have respect to the possibility of finding employment for a portion of the population; but, on the other hand, it is not proper to create a hot-bed to force manufactures. The revenue we have to raise permitted the putting on of duties which would give some encouragement to parties to embark in manufactures. When a person did so under a system of moderate duties, he had reasonable ground of assurance that the system would not be altered to his disadvantage; but if the duties were high the system would be regarded as one of class legislation, and as not likely to be permanent. The true object to be accomplished was to make provision for the public wants, and so to distribute the burdens as to make them press as equally as possible upon all, or to afford equal encouragement to all interests."

The nature and value of the information obtained by the Chamber of Commerce may be judged by their appending to their Memorial an extract from a paper bitterly opposed to the Government, which, taking up the result of six months of trade of Toronto, a port of only third-rate magnitude, pretends to give the result of a tariff which had only been in operation for three months out of the six months, from which the statement was made. It will be hereafter shown what the real operation of the new tariff has thus far been, and it will then clearly appear that the apprehensions of his Grace as to the failure of the measure financially have not been realised.

The Minister of Finance would not have considered it necessary to give any refutation

to the statements of the memorial from Sheffield, had it not been virtually adopted by his Grace the Duke of Newcastle. He would have preferred at once entering upon an explanation of the financial position, requirements, and policy of Canada, which he now respectfully submits, and which will, he believes, abundantly prove that, under the most serious difficulties, the policy of Canada, so far from being opposed in principle to that of the Mother Country, has been in accord with it, as far as differing circumstances would permit.

A statement is herewith appended, shewing the total imports, duty, and free goods imported into Canada since the union.

The policy of the Mother Country was protective and discriminative until 1846, and that of Canada was made as far as practicable in harmony. Differential duties in favour of the direct trade with Great Britain existed till 1848, when they were repealed. And in 1854, the principles of free trade were still more fully adopted by Canada in the legislation connected with the Reciprocity Treaty. The repeal of the Navigation Laws took place in 1849. The policy of Canada has thus at three periods, of 1841 to 1848, 1849 to 1854, and 1855 to this date, followed that of Great Britain. Our markets have been thrown open on equal terms to all the world. Our inland waters are navigated by foreign vessels on the same terms as by Canadian; the necessaries of life entering into the ordinary consumption of the people have all been made free. Our vast timber and ship-building interests have been thus developed and our fisheries encouraged, and, as a general principle, all raw materials have also been admitted free. The only exception in the latter case being precisely that which most conclusively shows that the fiscal policy of Canada has been based upon revenue as the primary object; as for the manufacture of the description of goods which has provoked the criticism of the Sheffield Chamber of Commerce, iron and steel are the raw material, and on these very articles the duty has been steadily raised to 10 per cent., which is quite in proportion to the increased duty imposed upon the manufactured article.

The analysis of the statement herewith gives some curious and instructive results. For the eight years from 1841 to 1848, during which the protective policy existed, the total imports of Canada were 27,543,319 l. 0 s. 6 d., Halifax currency, the total duty collected 2,808,507 l. 11 s. 10 d., and the total free goods 619,886 l. 1 s. 8 d.; the averages being 3,442,915 l., 351,063 l., and 77,486 l.; the duty being thus about 10 $\frac{1}{4}$ per cent.; and the free goods only 2 $\frac{1}{4}$ per cent. of the whole imports.

For the next period of six years to the passing of the Reciprocity Acts, and general adoption of more liberal views, 1849 to 1854, the total imports, duty, and free goods were respectively 35,806,420 l. 6 s. 1 d., 4,790,372 l. 11 s. 11 d., 2,448,381 l. 13 s. 2 d., averaging 5,967,736 l., 798,395 l., and 408,063 l. per annum, the duty being thus about 13 $\frac{1}{4}$ per cent., and the free goods nearly 7 per cent. of the total imports.

For the last period of four years from 1855 to 1858, which is that which has more particularly excited the apprehensions of his Grace, and the criticism of the Sheffield Chamber of Commerce, the following results are shown: imports, 37,044,920 l. 10 s. 2 d.; duty, 3,835,276 l. 6 s. 5 d.; free goods, 10,789,705 l.; the annual averages having been 9,261,230 l., 958,819 l., and 2,697,426 l.; the duty being 10 $\frac{1}{4}$ per cent., and the free goods 29 per cent. of the imports.

The following comparative result appears:—

1841 to 1848, average total imports	£ 3,442,915
1849 to 1854, " " " " " "	5,967,736
1855 to 1858, " " " " " "	9,261,230
1841 to 1848, duty 10 $\frac{1}{4}$ per cent.; free goods 2 $\frac{1}{4}$ per cent.	
1849 to 1854, " 13 $\frac{1}{4}$ " " " " " "	
1855 to 1858, " 10 $\frac{1}{4}$ " " " " " "	29 " "

These comparative statements abundantly prove that the policy of Canada in its Customs duties has neither been repressive of trade nor onerous upon the people. It is, however, necessary to draw attention to the fact that from causes which will be hereafter stated, the results for 1858 would somewhat differ from the above average, the late Minister of Finance, Mr. Cayley, having found it necessary to make a considerable addition to the Customs duties by an Act which took effect on the 7th August 1858, which gave the following results for that particular year, and which must be borne in mind when it is necessary to explain the nature of the Customs Act of March 1859.

1858, imports to 7th August	- - - - - £ 3,970,703
Duty, 439,643 l. 14 s. 6 d.	- - - - - Free goods, 1,161,728 l. 5 s.
Duty, 11 per cent.	- - - - - Free goods, 29 per cent.
„ From 7th August to 31st December, under tariff of	
1858, imports	- - - - - £ 3,298,928 15 s.
Duty, 405,703 l. 13 s. 1 d.	- - - - - Free goods, 931,675 l. 5 s.
Duty, 12 $\frac{1}{4}$ per cent.	- - - - - Free goods, 28 $\frac{1}{4}$ per cent.

The fiscal policy of Canada has invariably been governed by consideration of the amount of revenue required. It is no doubt true that a large and influential party exists who advocate a protective policy, but this policy has not been adopted by either the Government or Legislature, although the necessity of increased taxation for the purposes of revenue has to a certain extent compelled action in partial unison with their views, and

has

has caused more attention to be given to the proper adjustment of the duties, so as neither unduly to stimulate nor depress the few branches of manufacture which exist in Canada. The policy of the present Government in re-adjusting the tariff has been, in the first place, to obtain sufficient revenue for the public wants; and, secondly, to do so in such a manner as would most fairly distribute the additional burthens upon the different classes of the community, and it will undoubtedly be a subject of gratification to the Government if they find that the duties absolutely required to meet their engagements should incidentally benefit and encourage the production in the country of many of those articles which we now import. The Government have no expectation that the moderate duties imposed by Canada can produce any considerable development of manufacturing industry; the utmost that is likely to arise is the establishment of works requiring comparatively unskilled labour, or of those competing with American makers for the production of goods, which can be equally well made in Canada, and which a duty of 20 per cent. will no doubt stimulate. That these results should flow from the necessity of increased taxation is no subject of regret to the Canadian Government, nor can it be alleged as any departure on their part from the recognised sound principles of trade, as it will shortly be shown that the Government were compelled to obtain increased revenue, and it is believed that no other course could be relied on for this result than that adopted.

The increase of taxation is never a popular step, and his Grace might have well believed that no Government would adopt it, without the strongest conviction that good faith demanded it. It is unpleasant enough to be exposed to attack in Canada for an unavoidable increase of duties; but it is certainly ungenerous to be reproached by England, when the obligations which have caused the bulk of the indebtedness of Canada have been either incurred in compliance with the former policy of Great Britain, or more recently assumed, to protect from loss those parties in England who had invested their means in our railways and municipal bonds.

The indirect public debt of Canada in 1858 was 7,630,643 l. 16 s. 7 d., bearing 6 per cent. interest, which, prior to 1857, had not been a charge upon the revenue. In that year, owing to the commercial crisis, it became necessary to make large payments upon it; and in 1858, almost the whole amount had to be met from the general revenue. In addition to the commercial depression, the harvest of 1857 was below an average, and that of 1858 was nearly a total failure. It became manifest that the indirect debt must for many years be a charge upon the country; and Parliament was required to make provision for it. The interest on the public debt, direct and indirect, thus required in 1858 774,612 l. 13 s. 4 d., and without flagrant breach of faith, it could neither be postponed nor repudiated. The pressure had come suddenly and heavily upon the people of Canada; but neither the Government nor the Legislature hesitated in making such provision as in their judgment would meet the exigencies. The Customs Act of 1858 was therefore passed, and subsequently, with the same objects in view and others which will be hereafter explained, the Customs Act of 1859 was also passed.

His Grace the Duke of Newcastle has not, it is feared, given his consideration to the official documents showing the income and expenditure of Canada for 1858, or he would have seen the absolute necessity under which the Government was acting, in proposing their financial measures for last year. His attention is now respectfully requested to the official Report of the Finance Minister attached to the public accounts of 1858, wherein he will perceive the exact position in which the affairs of the province stood, and that a deficiency of no less than 2,500,000 dollars had occurred in that year.

After subjecting the engagements of the province to the strictest possible scrutiny, the Government were of opinion that it was possible to reduce the annual outlay on many items of expenditure, and the accompanying estimate submitted to Parliament will satisfy his Grace that the best efforts of the Government have been directed towards economy, the ordinary expenditure in 1858 having been 8,943,013 dollars, and the estimate for corresponding service in 1859 being 7,497,000 dollars. But after making every possible reduction, it was manifest that unless an increase of revenue could be obtained, a serious deficiency must occur in 1859. The opinion of the Government was, that having ascertained the probable amount required for the service of the year, it was their duty to recommend such measures to Parliament as would supply the deficiency; and that although during the crisis it might have been justifiable to borrow money for this purpose, it was no longer so. A revival of trade was confidently looked to, but owing to the bad harvest of 1858, it could not be rapid; and it was deemed proper to recommend certain additions to the Customs duties, to provide for a possible diminution in our ordinary importation.

The Customs Act introduced by the present Minister of Finance is evidently believed by his Grace, and by others in England who draw their information apparently from the political press opposed to the Government, to have imposed very large additional taxation on imported goods, whereas, in reality, such was neither the intention nor the fact. The new tariff was designed certainly with the intention of obtaining an increased revenue of about 500,000 dollars on the estimated importations of 1859; but the real increase was looked for from a revival of trade; the main object of the new tariff was to readjust the duties so as to make them press more equally upon the community by extending the *ad valorem* principle to all importation, and thereby also encouraging and developing the direct trade between Canada and all foreign countries by sea, and so far benefiting the shipping interests of Great Britain, an object which is partly attained through the duties being taken upon the value in the market where last bought. The levy of specific duties for

for several years had completely directed the trade of Canada in teas, sugars, &c. to the American markets, and had destroyed a very valuable trade which formerly existed from the St. Lawrence to the Lower Provinces and West Indies. It was believed that the completion of our canal and railroad systems, together with the improvements in the navigation of the Lower St. Lawrence, justified the belief that the supply of Canadian wants might be once more made by sea, and the benefits of this commerce obtained for our own merchants and forwarders. Under this conviction it was determined by the Government to apply the principle of *ad valorem* duties (which already extended to all manufactured goods) to the remaining articles in our tariff.

A step of this nature, having for its effect to give a slight advantage to the direct trade, *via* the St. Lawrence, with Great Britain and the rest of the world, and whose tendency was somewhat to interfere with the existing close commercial relations between Western Canada and the United States, excited the bitter hostility of all the interests prejudicially affected, and both in Parliament and in the press the most absurd and false statements were made on the subject. The opposition in Parliament, strangely enough, adopted as their strongest ground of attack upon the tariff, that it receded from the protective principle said to have been adopted by Mr. Cayley in the previous year; and for the purpose of defeating the Government, those in opposition in the House who admitted the justice and propriety of the proposed changes, actually voted with the pure protectionists. Notwithstanding all the combined efforts of their opponents, the Government adhered to and carried their measure; and it may now be interesting to observe, from the short period during which the tariff has been in force, how far it has produced the results contended for by the Government or their opponents.

The Minister of Finance stated to the House that he did not intend materially to alter the rate of duty paid on the bulk of the imports, but only to change the principle upon which they should be levied. The articles on which he proposed to obtain additional revenue were, cotton goods to be raised from 15 per cent. to 20 per cent., and iron, steel, &c., from 5 per cent. to 10 per cent. This was the whole extent of increased taxation, and it was expected to yield 500,000 dollars additional. The changes in teas, sugars, &c., were all merely nominal, and, as already explained, were proposed as being upon a more correct principle. The imports for the first three quarters of 1859, say to 30th September, have been, imports, 6,574,128 *l.* 5 *s.*, duty, 888,946 *l.* 15 *s.* 4 *d.*, free goods, 1,915,603 *l.*, the duty being 13½ on the imports, and the free goods being 29 per cent. of the whole.

The attention of his Grace is respectfully requested to this statement as showing, first, that the increased rate of duty as compared with the tariff of 1858, as given in a previous part of this memorandum, has only been from 12½ to 13½ per cent., which can scarcely be deemed excessive; while so far from the apprehensions of his Grace being verified through a diminution of imports and consequent loss of revenue, in both cases the estimates of the Government are borne out as nearly as could be expected, considering the state of the country, and its gradual recovery from depression. Until the close of the year the comparison cannot fairly be made, inasmuch as we are only now beginning to benefit from our late good harvest; but as an indication of the result, it may be stated that, in the case of cotton goods, which were raised from 15 to 20 per cent., the importation for the first nine months of 1857, 1858, and 1859, were as follows:—

	<i>Dollars.</i>
1857 - - - - -	4,379,672
1858 - - - - -	2,862,734
1859 - - - - -	4,323,750

The Minister of Finance can also point with satisfaction to the fact that the proportion which free goods bears to the whole importation is exactly that of 1858, and of the average for the four previous years, viz., 29 per cent. of the imports. This may be assumed to indicate that the new tariff has not produced any disturbance of trade, nor checked importations, for it is remarkable that where so large an increase has taken place in the imports as from 5,500,542 *l.* in the first nine months of 1858, to 6,574,128 *l.* 5 *s.* in the corresponding period of 1859, the proportion of free goods to the whole remains the same.

The Minister of Finance relies upon these statements to convince his Grace that he has scarcely done justice to the Government of Canada in his Despatch of 13th August, and that, in many important respects, the Chamber of Commerce has been entirely misinformed. He will now proceed to indicate the causes which have induced the Government and Legislature of Canada to seek in an increase of their Customs duties the means of meeting the large and unexpected demands upon them. But before finally leaving the subject of the burdens upon the people of Canada, it is proper to remark that the rate of duty levied under the present tariff of 1859, covering the cost of all our canal and railway expenditure, is only 13½ per cent., while in the period from 1841 to 1848, when the province had neither canals nor railways, it was 10½ per cent., and from 1849 to 1854, when it had only canals, but not railways, it was 13½ per cent. If it were necessary to offer an argument on the subject, it might be very easily shown that any increase of duty which has been placed on English goods is quite indemnified by the decreased cost at which our canals, railways, and steamships enable them now to be delivered throughout the province, and that, if the question were one of competition with Canadian manufacturers, the English exporter is quite as well off as before, while, as compared with the American, his position is greatly improved.

In proceeding to offer some observations upon the principle upon which taxation is imposed in Canada, the Minister of Finance may remark that the views of the Chamber of Commerce on the question of free trade, seem to be based upon the assumption that it

is both the principle and practice of Great Britain, and should be adopted by Canada irrespective of its financial necessities.

It certainly appears singular that Canada should be reproached with a departure from sound principles of finance when, in order to pay her just debts, she imposes higher duties on the articles she herself consumes and pays for, when in England itself the same means are resorted to, and no less than 28,000,000 £ sterling obtained from Customs duties, and 17,000,000 £ from Excise. If in Great Britain, where such an enormous amount of realized wealth exists, it has only as yet been found possible to raise one-sixth of the revenue by direct taxation, it need require no excuse if Canada has to raise her revenue almost wholly by indirect means.

Free trade in the abstract must be taken to mean the free exchange of the products of industry of all countries, or of the inhabitants of the same country, and it is perfectly immaterial whether that industry be applied to the production of a pound of sugar or tobacco, or of a tennenny nail or a bushel of malt; it is equally an interference with the principle to levy Customs duties or Excise on any. But it is, and probably will continue to be impossible to abandon Customs duties or Excise as a means of revenue; they afford the means of levying large sums by the taxation of articles of consumption, distributing the burden in almost inappreciable quantities, and in one respect have this advantage, that if fairly imposed, each individual in the community contributes in a tolerably fair proportion to his means. In Great Britain it may be possible to adjust the taxation, so as to make realized property contribute more than it now does to the wants of the State, but in a country like Canada, no such resource exists, and it would be perfectly hopeless to attempt to raise the required revenue by direct taxation; we neither possess the required machinery to do it, nor are the people satisfied that it is the more correct principle. Customs duties must, therefore, for a long time to come, continue to be the principal source from which our revenue is derived.

Admitting, therefore, the necessity of raising a certain amount for the wants of the State, and that such amount can only be obtained through Customs duties, the Government of Canada, like that of Great Britain, have to consider how that necessary interference with the true principle of political economy can be effected with least disturbance to trade, and judging of the fiscal policy of the present Government by this rule, it is contended that, with some trifling exceptions which must arise in all human legislation, the Customs duties are imposed in the manner least calculated to disturb the free exchange of Canadian labour with that of other countries. A large class of articles, termed raw materials, are admitted free, amounting to 29 per cent. of the total imports. Another large class, consisting of iron, steel, metals, and articles entering into the construction of railways, houses, ships, and agricultural implements, &c. are admitted at 10 per cent. duty, leather and partially manufactured goods pay 15 per cent., manufactured goods, made from raw materials or articles paying 10 per cent. duty are admitted at 20 per cent., manufactured goods made from articles paying 15 per cent. duty are charged 25 per cent., but this is exceptional, and very limited, while luxuries, comprising wines, tobacco, cigars, and spices, &c., are charged at rates varying from 30 to 40 per cent., but the bulk are of 30 per cent.; spirits are charged 100 per cent., tea, sugar, and molasses pay 15 per cent. and 30 per cent.

The distribution of duties on the whole imports therefore stands thus:

	Duties.	Imports.
Free goods - - - - -	-	29 per cent.
Goods paying 10 per cent. - - - - -	4½	6½ "
" 15 " - - - - -	7	6½ "
" 20 " - - - - -	61	41 "
" 25 " - - - - -	1½	1 "
" Over 25 per cent. including spirits - - - - -	9¾	4 "
Tea, sugar, and molasses - - - - -	6¼	12 "
	100.	100 "

The foregoing statement will show that if the attempt were made to reduce the duty on manufactured goods paying 20 per cent., it would necessitate an advance on the other items, unless such reduction produced a corresponding increase in consumption to make good the deficiency. Assuming, then, that the duty were reduced from 20 to 10 per cent., it will not be contended that this reduction, though affecting the revenue one-half on these articles, would induce double the consumption; on the contrary, it is believed that it would not affect the consumption at all, as is borne out by the statistics of previous years, and of the present year. It would then become necessary to meet the deficiency by increased duties elsewhere; and in selecting the articles it is, in the first place, impossible to touch the bulk of the free goods, most of which are free under the Reciprocity Treaty, and the remainder entitled to continue free, according to sound principles of trade.

Passing to the next class of 10 per cent. goods, it will not, surely, be contended, that the scale of duty should be raised on quasi-raw materials to a rate in excess of that imposed on manufactures. There is, then, nothing left but the articles paying over 25 per cent.; and it must be observed that they form only four per cent. of the imports, and pay 9½ per cent. of the duties; if, therefore, it were necessary to make good the deficiency arising from a reduction of duty on manufactures, the proportion of duty to the whole they would have to pay would be increased from 9½ per cent. to 40 per cent., and the average rate of duty on these articles, instead of 32 per cent. or thereabout, would be increased to nearly 130 per cent.

It is scarcely necessary to point out that such an increase would be utterly incompatible with revenue, and the result would be a financial failure.

On tea, sugar, &c., it has been found impossible to maintain higher duties than those now imposed, as they are free in the United States, and unfavourable comparisons are even now instituted by our agricultural population.

Apart from such modifications in detail, as experience may suggest, the Government of Canada believe that, in order to raise the revenue imperatively required to preserve the good faith of the province, and to maintain its institutions, the scale of Customs duties is not excessive, and that it has been adjusted in general accordance with sound principles of political economy. Reductions in the scale of duties can only take place as the increasing population and wealth of Canada swell the importations, and it will be a subject of the highest gratification to the present Government, when such reduction is possible.

(signed) A. T. Galt,

Quebec, 25 October 1859.

Minister of Finance.

N.B.—The values are all given in Halifax currency, except where the present decimal currency is used.

APPENDIX.

STATEMENT of the Value of GOODS imported into *Canada*, with the Amount of DUTY Collected thereon, from the Year 1841 to 30th September 1859 inclusive: also, the Value of free GOODS imported during same time.

YEAR.	IMPORTS.			DUTY.			FREE GOODS.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1841	2,694,160	14	6	225,834	7	10	146,208	17	8
1842	2,588,632	13	2	278,030	7	4	85,944	2	4
1843	2,421,306	16	4	241,572	9	-	13,528	18	-
1844	4,331,050	17	4	441,331	15	2	83,666	10	4
1845	4,101,325	16	6	449,960	1	7	59,061	17	4
1846	4,515,821	1	11	422,215	16	8	61,300	10	8
1847	3,609,692	14	11	414,633	5	6	Estimated 77,139	5	4
1848	3,191,328	5	10	334,029	8	9	92,978	-	-
	£.	27,543,310	- 6	2,808,507	11	10	619,886	1	8
1849	3,002,891	18	3	444,347	5	1	269,200	7	9
1850	4,245,517	3	6	615,694	13	8	294,133	7	2
1851	5,358,697	12	7	737,439	-	2	425,071	5	9
1852	5,071,623	3	11	739,263	12	9	311,962	17	6
1853	7,995,359	1	1	1,028,676	15	7	443,977	18	-
1854	10,132,331	6	9	1,224,751	4	8	703,435	17	-
	£.	35,806,420	6 1	4,790,372	11	11	2,446,381	13	2
1855	9,021,542	7	3	881,445	12	6	2,596,383	13	8
1856	10,896,096	16	2	1,127,220	10	5	2,997,941	14	9
1857	9,857,649	11	9	981,262	15	11	3,101,976	1	7
1858	7,269,631	15	-	845,347	7	7	2,093,403	10	-
	£.	37,044,020	10 2	3,835,276	6 5		10,789,705	-	-
1859 to 30th September	£.	6,574,128	5 -	888,946	15 4		1,015,603	-	-

Inspector General's Office,
Customs Department, Quebec,
22 October 1859.

STATEMENT of the Value of GOODS imported into *Canada*, and the DUTIES collected thereon, for Nine Months to 30th September 1859, showing the relative per Centage which the Values and the Duties, at the different Rates of Duty, bear to the whole Importations, and the whole Amount of Duties.

RATE OF DUTY.	VALUES.		DUTY.	
	Amount.	Per-centage.	Amount.	Per-centage.
5 and 10 per cent. - - - -	<i>Dols.</i> 1,680,311	6 $\frac{60}{100}$	<i>Dols. cts.</i> 160,626 80	4 $\frac{51}{100}$
15 per cent. - - - -	1,722,735	6 $\frac{55}{100}$	258,293 27	7 $\frac{28}{100}$
20 - ditto - - - -	10,784,512	41	2,157,205 76	60 $\frac{67}{100}$
25 - ditto - - - -	216,917	$\frac{63}{100}$	54,049 25	1 $\frac{52}{100}$
Tea, sugar, and molasses { Specific, and over 25 per cent. }	3,142,974	11 $\frac{85}{100}$	679,921 04	16 $\frac{31}{100}$
Other articles - - - -	1,087,372	4 $\frac{13}{100}$	345,707 60	9 $\frac{71}{100}$
Free goods - - - -	7,662,412	29 $\frac{16}{100}$	-	-
TOTAL - - <i>Dols.</i>	26,296,513	100	3,555,803 72	100

Inspector General's Office,
Customs Department, Quebec,
22 October 1859.

REPORT of the Inspector General of *Canada*.

To His Excellency the Right Honourable Sir Edmund Walker Head, Baronet, one of the Most Honourable Privy Council, Governor General of British North America, &c., &c.

May it please your Excellency,

I HAVE now the honour to submit the public accounts of the province of Canada during the year 1858.

The Report of the Board of Audit, certifying the accuracy of the accounts, is also herewith submitted.

By this Report it will be observed that several important alterations have been made in the form in which the accounts have hitherto been prepared. Under the present system every item of expenditure and income is set forth in Statement No. 3, and the particulars of expenditure in Statement No. 12. It is therefore no longer necessary to refer to the subsidiary statements to acquire a knowledge of the transactions of the year. They will occupy their proper position of showing the exact state of each special account.

By the Statement No. 3, it will be seen that—

	<i>Dols.</i>	<i>cts.</i>
The gross expenditure has been - - - -	11,403,587	44
And the gross income - - - -	10,271,291	81
The deficit of - - - -	1,132,295	63

having been met by the altered state of the cash balances at 1st January 1858 and 1st January 1859, viz.

	<i>Dols.</i>	<i>cts.</i>
Balance of cash and securities on hand, less balances due bankers, at 1st January 1858 - - - -	847,495	53
Balances due bankers, less cash and securities on hand at 1st January 1859 - - - -	284,800	10
<i>\$.</i>	1,132,295	63

This statement includes, however, several large items both of expenditure and income, which do not properly belong to the ordinary service of the year, and it is therefore necessary to furnish an analysis thereof, viz. :—

	Dols.	cts.	Dols.	cts.	Dols.	cts.
The Gross Expenditure has been - - -	-	-	-	-	11,403,567	44
From which must be deducted, Payments out of the Trust Funds in the hands of the Province, viz. :—						
Roads and bridges - - - - -	68,402	25				
Seignorial Fund - - - - -	298,351	37				
Municipalities Fund - - - - -	344,450	78				
Debentures purchased for trust funds - - -	270,949	67				
Indian Fund - - - - -	113,020	28				
Grammar School Fund - - - - -	13,456	21				
Educational Fund, Lower Canada - - - - -	20,746	89				
Subsidiary lines - - - - -	263,678	03				
Collection of trust funds - - - - -	14,816	50				
Miscellaneous - - - - -	8,264	43				
			1,416,037	10		
Payments in Redemption of Public Debt:						
Debentures redeemed - - - - -	204,753	84				
Sinking Fund for Imperial Loan - - - - -	434,880	80				
					639,634	14
Payments for public works, authorised to be covered by issue of debentures - - - - -					533,319	89
Advances for the purchase of new coinage - - -	340,666	68				
Advances to railways and others - - - - -	163,345	33				
					504,012	01
BALANCE, comprehending the Payment of every Provincial Engagement, either direct or indirect - - - - -	-	-	-	-	3,093,003	14
					8,310,584	30
The Gross Income has been - - - - -	-	-	-	-	16,271,291	81
From which must be deducted, Receipts on account of Trust Funds in charge of the Province, viz. :—						
Upper Canada Building Fund - - - - -	70,882	87				
Seignorial tenure - - - - -	540	61				
Municipalities Fund - - - - -	122,618	76				
Uncommuted stipends - - - - -	10,968	00				
Improvement Fund, Upper Canada - - - - -	26,019	36				
Common School Land Fund - - - - -	47,583	29				
Grammar School Fund - - - - -	31,157	60				
Educational Fund, Lower Canada - - - - -	34,809	70				
Indian Fund - - - - -	161,708	06				
Tavern licenses, Lower Canada - - - - -	2,970	94				
Copyright - - - - -	650	39				
Montreal District Council - - - - -	305	12				
Subsidiary lines - - - - -	531,653	33				
			1,041,898	03		
Increase of Public Debt:						
Debentures issued - - - - -	1,959,186	66				
Repayment of loan by Great Western Railroad - - - - -	756,833	33				
Sinking Fund ditto - - - - -	8,400	00				
					2,724,419	99
Repayment of advances made in 1857 and 1858 - - - - -					730,000	00
BALANCE, comprehending all Sources of Revenue applicable to meet the direct and indirect Engagements of the Province - - - - -	-	-	-	-	4,496,318	02
					5,774,973	79

The foregoing Analysis gives the following Result for the Ordinary Service and Income of 1858 :—	Dols.	cts.	Dols.	cts.	Dols.	cts.
Expenditure	-	-	8,310,584	30		
Revenue	-	-	5,774,973	79		
Deficit	-	-	2,535,610	51		
(But from this amount may be deducted the repayment of railroad advances, inasmuch as the same formed part of the deficiency of 1857, and were then provided for).						
Advances repaid	-	-	780,000	00		
Less, made in 1858	-	-	163,345	33		
			586,654	67		
Actual Cash Deficit	-	-	-	-	1,968,955	84
Which has been provided for as follows:—						
Increase of Public Debt by Debentures issued	1,959,186	66				
Increase by repayment in cash of part of loan to Great Western Railroad, the debentures for which were issued in 1854, and already form part of Public Debt, being now transferred from the indirect debt to the direct debt of the Province, and also 8,400 dollars paid into Sinking Fund	765,233	33				
			2,724,419	99		
Less Decrease, as shown in analysis	639,634	14				
Also, for permanent public works for which debentures are authorised, and forming part of issue	533,319	89				
			1,172,954	03		
Deduct payments on account of Trust Fund	1,416,037	10			1,151,465	96
Less receipts	1,041,898	03				
			374,139	07		
New coinage, which may be regarded as really cash	-	-	840,666	68		
					714,805	75
Differences in cash balances at 1st January 1858 and 1st January 1859, as before shown	-	-	-	-	836,660	21
					1,132,295	63
The Total Increase of the Provincial Liabilities in 1858 is thus shown to have been	-	-	-	-	Dols.	1,968,955 84

In explanation of this large deficit, it is my duty to advert to the fact that, owing to the very serious and general depression of trade consequent upon the recent commercial crisis, but in Canada more especially attributable to the bad harvests of 1857 and 1858, the imports of the country have enormously decreased. They were, in

	Dols.	cts.
1856	43,584,387	23
1857	39,430,598	35
1858	29,078,527	00

These returns sufficiently show that the country generally has been exercising a wise economy in every article of consumption, and this result must ultimately be fraught with great advantage. The immediate effect has, however, been to produce a serious falling off in the revenue from Customs, which was, in

	Dols.	cts.
1856	4,508,882	08
1857	3,925,051	19
1858	3,368,157	76

The same causes have operated to reduce the revenue from all other sources. They are, as follows: in 1858—

	Dols.	cts.
Public Works	400,727	17
Territorial	415,372	68
Post Office	295,395	76
Other revenues, of Consolidated Fund	867,875	77
Receipts from other sources	427,441	67

The expenditure, instead of being capable of similar reduction, has been largely increased, from the failure of local revenues having thrown upon the province the temporary supply of funds to meet engagements for which the general revenue was not strictly liable. This has been especially manifest in the case of the Consolidated Municipal Loan Fund. The local municipalities suffering directly from the pressure upon the rate-payers, have been in many cases unable to meet the interest upon the debentures issued on their account; and the Government have been required to advance the necessary funds, to prevent a failure in their payment of the interest.

	<i>Dols.</i>	<i>cts.</i>
In 1857 the amount so advanced was - - - - -	159,096	55
In 1858 it has been - - - - -	368,503	51

These advances have been made under circumstances of peculiar pressure, which, when removed, will relieve the general revenue from this charge, as the province has never assumed these debts as engagements of its own, and must look on a revival of trade to their resumption by the municipalities, who have received the benefit of the loans, and on whose united security the bonds have been issued.

A very large, and, it may be found, a more permanent charge upon the resources of the province, has, however, been created through the guarantees granted in 1852, 1853, and 1854, to the Grand Trunk Railroad, and the Ontario, Simcoe and Huron Railroad. In the former case, Parliament has assumed the payment of the interest on their advance for an indefinite period; and, in the latter case, it may be feared that for some time to come, the province will also have to provide the interest on its bonds issued in aid of the undertaking. These liabilities have amounted, in 1858, to \$ 1,061,756. 87.

The outlay upon public works authorised to be met by the issue of debentures has been \$ 533,319. 89. The greater part of this expenditure has arisen from enlargement and improvement of the canals, lighthouses, and necessary surveys in connection with the important question of establishing the best route for western produce to reach the sea-board. There can be no doubt that a large portion of this outlay is not directly remunerative, and had it been possible wholly to arrest it during a temporary period of financial depression, it would have been desirable to have done so. But considering that these works form part of a system, upon which the province has already incurred almost the whole of its indebtedness, it would not have been politic, had it even been possible, to have stopped these works. In the case of surveys, it is the more valuable, as enabling Parliament hereafter to decide intelligently upon any future expenditure.

ORDINARY EXPENDITURE.

THE establishment of the Ocean line of steamships has added an annual charge of \$ 220,000, which may be expected to be gradually met by the ocean postage, but must, for a considerable time, require provision from the ordinary revenue. The same remark applies to the tug service, which costs annually \$ 90,400.; amount in 1858 was \$ 217,555. 10.

The transfer of the ordnance lands to the province, has entailed a heavy charge for the maintenance of an active militia organisation, costing in 1858, with the enrolled pensioners now disbanded, \$ 162,351. 54.

The province has received a very large amount of valuable property in consideration of these services, but it will require time to realise it; and meantime the burden has wholly fallen on the revenue. This charge may, however, be largely reduced in 1859, and from the sale of the ordnance property, it is hoped, the militia force will soon be self-sustaining.

The expenses of legislation in 1858, amounted to \$ 684,442. 27. But in this sum are included the costs of a general election for the House of Assembly, and also the election of 12 members for the Upper House, together being \$ 66,691. 89.

This item may therefore be regarded as exceptional, and it may also be expected that, as the Session of 1858 proved of unusual duration, a very considerable reduction will take place on the average cost of legislation.

The administration of justice cost, in 1858 - - - - -	<i>Dols.</i>	<i>cts.</i>
And police - - - - -	608,359	24
Penitentiary and reformatory prisons - - - - -	41,931	01
	61,600	00
	<i>Dols.</i>	<i>cts.</i>
	711,890	25

On the first item it is expected that the effect of recent legislation will be to produce a considerable and gradual reduction. The charge for police will also be reduced during 1859; but the establishment of the reformatory prisons will cause some increased charge for the future under this head.

The educational, charitable, scientific, and agricultural societies' grants during 1858, amounted as follows:—

	<i>Dols.</i>	<i>cts.</i>
Education, exclusive of trust funds - - - -	495,162	11
Charitable - - - - -	194,988	65
Scientific and geological - - - - -	52,927	64
Agricultural societies and statistics - - - -	135,648	68
Indian annuities and pensions - - - - -	76,359	64
<i>Dols.</i>	955,086	72

The remaining items of the expenditure, irrespective of the public debt and its management, may be divided into three classes.

Collection of revenue of all branches (excepting post office) including casual repairs of Public Works yielding a revenue, and survey of Public Lands, have cost in 1858,—

	<i>Dols.</i>	<i>cts.</i>
Customs - - - - -	341,863	37
Excise - - - - -	16,290	00
Public Works - - - - -	270,572	18
Public Lands - - - - -	221,316	95
Fines and forfeitures - - - - -	11,887	65
Casual - - - - -	33	00
Special funds - - - - -	2,401	59
<i>Dols.</i>	864,364	74

	<i>Dols.</i>	<i>cts.</i>
Expenses of Civil Government, including emigration fisheries, and all charges not specially applicable, otherwise have been - - -	613,995	11

Much of which is provided for by special charges for the service as appears in the returns of revenue.

Expenses of maintenance of public works and buildings, light-houses, coast service, roads and bridges - - - - -	436,811	53
The Post Office charge of - - - - -	565,636	37

Must be regarded as exceptional; as it includes a large amount on account of arrears of former years, and the settlement of claims by the railway companies for carriage of the mails.

The two former classes of outlay, collection of revenue - - - -	864,364	74
Civil Government - - - - -	613,995	11

may it is hoped, be gradually reduced, without impairing, but rather adding to the efficiency of the service; and measures are in progress for attaining this end, for some of which the sanction of Parliament will require to be obtained.

The only remaining item of expenditure, is that for interest on the public debt, and its management, which was in 1858—

	<i>Dols.</i>	<i>cts.</i>
Interest - - - - -	3,030,899	25
Management, including exchange - - - - -	67,551	42
	3,098,450	67
Of this amount, the direct debt of the province—	<i>Dols.</i>	<i>cts.</i>
Constituted - - - - -	1,236,376	45
Management, including exchange - - - - -	51,085	21
	1,287,461	66
Leaving, as paid on indirect indebtedness - - - - -	1,810,989	01
On account of which there was received from—		
Great Western Railroad - - - - -	227,088	40
Municipal loan fund, west and east - - - -	151,932	56
Sundry minor accounts - - - - -	30,093	73
	409,114	69
Leaving, as the amount advanced in 1858 by the province - <i>Dols.</i>	1,401,874	32

The detail of the advance is thus shown—		<i>Dols.</i>	<i>cts.</i>	<i>Dols.</i>	<i>cts.</i>
Railway advances	- - - - -	1,260,459	21	1,033,370	81
Less Great Western	- - - - -	227,088	40		
Municipal loan fund, west and east	- - - - -	520,436	07	368,503	51
Less received	- - - - -	151,932	56		
		<i>Dols.</i>		1,401,874	32

Of this large sum, that paid on account of the railways cannot be subject to immediate reduction, but in the case of the Municipal Loan Fund and other loans, it has been already remarked that with reviving prosperity, the general revenue may expect to obtain considerable relief in the current and future years.

On the subject of the public debt, it is necessary to offer some remarks in consequence of the exceptional circumstances attendant on the transactions of 1857 and 1858; which, owing to a sudden diminution in revenue, occurring simultaneously with the necessary assumption of very large and unexpected charges, have caused a serious deficiency in both years, and a consequent resort to loans to meet it.

The direct public debt of Canada is \$. 24,430,975. 17., which has been created almost wholly for the great canals and other works of national improvement.

The expenditure upon these works is shown by the statement of assets and liabilities of the province, at 31st December 1858, to have been—

	<i>Dols.</i>	<i>cts.</i>	<i>Dols.</i>	<i>cts.</i>
Welland and St. Lawrence Canals	- - - - -	14,155,206	35	
Other canals	- - - - -	2,766,146	40	
Harbours and light-houses	- - - - -	2,817,057	92	
Roads and bridges	- - - - -	1,610,267	34	
Miscellaneous	- - - - -	1,326,346	21	
	<i>Dols.</i>	22,675,024	22	
There has also been charged against the Consolidated Fund for works which have proved unproductive, or which have been transferred to the municipalities		1,982,039	70	
And there now stands at the credit of the Sinking Fund for the Imperial Loan	- - - - -	3,752,843	22	
TOTAL	- - - <i>Dols.</i>	-	-	28,409,907 14
While the existing direct public debt incurred for these works, and including all sums raised up to this time to meet the deficiency of 1857 and 1858, is	- - -	24,430,975	17	
Whereof Statement 1 shows to be held on account of the Consolidated Fund	- - - - -	621,726	68	23,809,248 49
Leaving	- - - <i>Dols.</i>	-	-	4,600,658 65

which has been paid out of surplus revenue, up to 31st December 1858, after adding the whole deficiency of the two last years.

This statement will abundantly prove that the policy of Canada has not been that of providing by loans for temporary wants, but that in reality, after meeting every engagement up to 31st December 1858, there remains the sum of 4,600,658 dollars taken from ordinary revenue, and applied to permanent works now belonging to the province.

The indirect debt of the province appears by Statement No. 1, to be—

	<i>Dols.</i>	<i>cts.</i>
Railways	- - - - -	20,295,098 47
Municipal Loan Fund	- - - - -	9,057,792 00
Sundries	- - - - -	1,169,684 85
	<i>Dols.</i>	30,522,575 32
On account of railroads	- - - - -	20,295,098 47
Of which the advance to the Great Western Railroad can alone be regarded as secure	- - - - -	2,810,500 00
Leaving	- - - <i>Dols.</i>	17,484,598 47

for which the province may have ultimately to provide;] meantime advancing the interest.

The advance of this sum has induced the investment by private capitalists of at least 60,000,000 dollars in the Grand Trunk, Great Western, and Northern Railroads, and has thereby secured an uninterrupted railway communication throughout the entire length of the province, comprising, with their branches, about 1,250 miles of rail. It will not be disputed, that although the unfortunate disappointment in traffic has caused the Grand Trunk and Northern Railways to become a charge upon the provincial revenue, yet Canada has, in every other respect, very largely benefited by these works, and indirectly obtains a return upon her advances, through the diminished cost and increased facility with which the whole business of the country is now carried on; while there is good ground to hope that ultimately the increase of population and trade may place both these railroads in a position to assume the charges, which for the present devolve upon the province.

The remaining portion of the indirect provincial debt has mainly arisen from loans contracted by municipalities under the Consolidated Municipal Loan Fund Act, and respecting which I have already remarked, that returning prosperity will relieve the province from the principal weight of this obligation. The amount at 31st December 1858, was—

	<i>Dols.</i>	<i>cts.</i>
Upper Canada - - - - -	7,294,792	00
Lower Canada - - - - -	1,763,000	00
<i>Dols.</i>	9,057,792 00	

The Act permitting these debts to be contracted limits the amount to be issued to \$14,600,000, to be equally divided between Upper and Lower Canada. And, looking at the operation of the law up to this time, it may appear proper to the Legislature to restrict the issue of the remainder of the loans, especially in connexion with the ultimate and complete abrogation of the Seigniorial tenure in Lower Canada, for which it may be necessary to make legislative provision. The payment in 1858, from the Seigniorial Tenure Fund of \$298,351. 37. although including a large sum for the expenses of the Commutation Commission, would seem to indicate that the amount required in extinguishment of the feudal tenure will largely exceed the present fund, and in justice alike to the Seignior and Censitaire, whose title to their property has been entirely changed by the Legislature from motives of public policy, it does not appear possible to avoid incurring further liability, in which view it may be considered desirable to relieve the province from a certain part of its indirect liability, connected with the future extension of the Consolidated Municipal Loan Fund Debt. Canada will thus succeed, at a very moderate outlay, in achieving the complete freedom of her territory from the oppressive burden of the feudal tenure, which has in no other country been ever shaken off, without the most prolonged, expensive, and bloody conflict; and her people, instead of remaining worn out and exhausted with the struggle, will at once feel the beneficial results of the change, and by increased energy, freedom, and intelligence, far more than compensate the province for the pecuniary charge by which the object has been attained.

In conclusion, I have the satisfaction to state, that by a moderate addition to the existing duties on Customs, combined with considerable reduction in almost every branch of the Public Service, it is my opinion that the expenditure for 1859 will be brought within the revenue; and should no continued failure of the harvest occur, it is my confident hope that the province will be found to have passed through the trying period of recent depression, with certainly as little difficulty as any other country in the world.

All which is respectfully submitted.

(signed) *A. T. Galt,*
Inspector-General.

Toronto, March 1859.

GENERAL ESTIMATE of the Probable Amount of the PUBLIC EXPENDITURE and also of the GROSS REVENUE of the Province of *Canada*, for the Year 1859.

PAYMENTS.	Actual Expenditure in 1858.		Estimate for 1859.		RECEIPTS.	Actual Receipts in 1858.		Estimate for 1859.	
	Dols.	cts.	Dols.	cts.		Dols.	cts.	Dols.	cts.
Interest on Public Debt - - -	3,030,899	25	3,050,000	00	ORDINARY REVENUES:				
Charges of Management - - -	56,738	70	50,000	00	Customs - - - - -	3,368,157	76	5,200,000	00
Sinking Fund - - - - -	434,880	80	270,000	00	Excise - - - - -	138,760	22	200,000	00
Discount - - - - -	30,942	85	00	00	Post Office - - - - -	295,395	76	350,000	00
Exchange - - - - -	10,812	72	00	00	Public Works - - - - -	400,727	15	450,000	00
Civil Government - - - - -	394,735	51	350,000	00	Territorial - - - - -	415,372	68	400,000	00
Administration of Justice, East - - -	360,883	56	320,000	00	Casual - - - - -	12,856	08	15,000	00
Ditto - - ditto - West - - -	247,475	68	245,000	00	Quebec Fire Loan - - - - -	729	76	00	00
Police - - - - -	41,931	01	25,000	00	Interest on Investments - - - - -	46,599	21	46,000	00
Provincial Penitentiary and Reformatory Prisons - - - - -	61,600	00	75,000	00	Sinking Fund Interest, and gain on Investments - - - - -	142,880	80	120,000	00
Legislation - - - - -	684,442	27	385,000	00	Bank Imposts - - - - -	45,208	41	75,000	00
Education, East - - - - -	304,734	42	225,000	00	Law Fees, 22 Vict. c.c. 63 and 64 - - -	42,176	22	42,000	00
Ditto - West - - - - -	224,630	79	225,000	00	Fines and Forfeitures - - - - -	20,845	54	21,000	00
Literary and Scientific Institutions - - -	33,360	98	15,000	00	Premium - - - - -	239,568	75	00	00
Hospitals and Charities - - - - -	194,988	65	200,000	00	SPECIAL REVENUES:				
Geological Survey - - - - -	19,566	66	18,000	00	Law Fees, Upper Canada, 8 Vict. c. 13 -	35,618	24	35,000	00
Militia and Enrolled Force - - - - -	162,351	54	75,000	00	Law Fees, Lower Canada, 13 Vict. c. 37	59,710	58	60,000	00
Arts, Agriculture, and Statistics - - -	24,616	36	10,000	00	Tonnage Duties, Quebec and Montreal (Mariner's Fund) - - - - -	8,360	40	8,000	00
Agricultural Societies - - - - -	111,032	32	60,000	00	Passenger's Duty - - - - -	11,418	77	10,000	00
Emigration and Quarantine - - - - -	49,982	67	25,000	00	Tonnage Duties, Quebec (River Police)	8,514	40	9,000	00
Pensions - - - - -	45,339	64	45,000	00	Culler's Funds - - - - -	49,338	13	50,000	00
Indian Annuities - - - - -	31,020	00	31,000	00	Steamboat Inspection - - - - -	5,293	26	6,000	00
Public Works and Buildings (exclusive of Permanent Works) - - - - -	187,030	58	150,000	00	GUARANTEED AND ADVANCE ACCOUNTS:				
Rents, Repairs, &c. (exclusive of Permanent Works) - - - - -	38,305	51	40,000	00	Municipal Loan Fund, Upper Canada -	140,198	29	200,000	00
Roads and Bridges, exclusive of Trust Funds - - - - -	94,859	73	50,000	00	Ditto - - ditto Lower Canada -	11,734	27	150,000	00
Ocean and River Steam Service - - -	217,555	10	250,000	00	Law Society, Upper Canada - - - - -	10,191	09	10,000	00
Lighthouses and Coast Service - - -	116,615	71	110,000	00	Court Houses, Lower Canada - - -	25,135	05	25,000	00
Fisheries - - - - -	15,628	76	15,000	00	Upper Canada, Building Fund - - -	12,138	00	12,000	00
Culling Timber - - - - -	50,198	13	50,000	00	Quebec Fire Loan - - - - -	72	01	00	00
Railway and Steamboat Inspections - -	14,778	66	8,000	00	Repayment of Advances - - - - -	-	-	70,000	00
Advances - - - - -	163,345	33	00	00	Great Western Railroad Interest - - -	227,088	40	170,000	00
Miscellaneous - - - - -	57,728	53	55,000	00					
Collection of Revenue:									
Customs - - - - -	341,863	37	300,000	00					
Excise - - - - -	16,290	00	25,000	00					
Post Office - - - - -	565,636	37	350,000	00					
Public Works (Collection) - - - - -	270,572	18	230,000	00					
Territorial, including Ordnance Lands (Collection) - - - - -	221,316	95	150,000	00					
Fines and Forfeitures - - - - -	11,887	65	12,000	00					
Casual - - - - -	33	00	00	00					
Special Funds (excluding Trusts) - - -	2,401	59	3,000	00					
TOTAL - - - Dols.	8,948,013	53	7,497,000	00	TOTAL - - - Dols.	5,774,089	23	7,734,000	00

— No 5. —

(No. 8.)

COPY of a DESPATCH from his Grace the Duke of Newcastle, K. G., to Governor the Right Honourable Sir Edmund Head, Bart.

No. 5.
His Grace the Duke of Newcastle, K. G., to Governor the Right Honourable Sir Edmund Head, Bart.
31 January 1860.

• Page 11.

Sir,

Downing-street, 31 January 1860.

I HAVE referred for the consideration of the Lords of the Committee of Privy Council for Trade, the Report of the Minister of Finance in Canada (enclosed in your Despatch, No. 118,* of the 11th November) respecting the import duties levied in the province upon certain British manufactures; and I transmit, for your information, a copy of their Lordships' reply, accompanied by a memorandum on the subject, prepared in the Statistical Department of the Board of Trade.

I have, &c.

(signed) Newcastle.

Governor the Right Honourable
Sir Edmund W. Head, Bart., K.C.B.,
&c. &c. &c.

Enclosure in No. 5.

Office of Committee of Privy Council for Trade, Whitehall,
17 January 1860.

Enclosure in No. 5.

Sir,

THE Lords of this Committee have had under their consideration your letter of the 15th December last, transmitting, by direction of the Duke of Newcastle, a copy of a report by the Finance Minister of Canada upon a Memorial from the Chamber of Commerce of Sheffield, respecting the import duties levied in Canada upon certain British manufactures, and also a copy of that memorial, and of the Duke of Newcastle's Despatch, in which it was conveyed to the Governor of Canada.

In accordance with his Grace's desire, my Lords have carefully examined the statements and arguments of Mr. Galt's report; and I enclose herewith a copy of a memorandum which has been prepared in the Statistical Department of the Board of Trade, and which shows in detail the result of this examination.

In submitting this memorandum to the Duke of Newcastle, I am to request that you will state to his Grace that my Lords do not perceive anything in Mr. Galt's explanation of the recent Canadian tariff to affect the conclusions at which they arrived upon an examination of that tariff, and which were communicated to the Colonial Office in my letter of the 20th October last.*

* Page 9.

They think that the justification of this measure is to be found in the financial exigencies of Canada, and the difficulty, if not impossibility, under the peculiar circumstances of the province, of raising the necessary amount of revenue from any other source than the import duties upon manufactures which enter largely into its consumption.

Upon this ground my Lords stated, in their letter of the 20th October, that they were not prepared to disapprove the course which had been taken by the Government of Canada in framing the Tariff Act of 1859. They think that the explanations given in Mr. Galt's report of the principles upon which it was framed are, on the whole, satisfactory.

They cannot, however, lose sight of the fact that under the present tariff the rates of duty levied upon quite two-thirds of the duty-paying imports into Canada have been raised since 1856 from 12½ to 20 per cent., being an increase of 60 per cent.; and that this increased burden has been since that date placed upon the principal manufactures exported from the United Kingdom to Canada.

My Lords therefore cannot but regard with regret the fiscal necessities which have compelled this most important Colony to adopt a policy, the tendency of which, whatever its immediate effect may have been, unquestionably is to check the natural development of her foreign trade, and impair her industrial progress.

Mr. Galt disclaims on the part of the Government of Canada any intention of affording, by means of a tariff of increased duties upon foreign manufactures, an artificial stimulus to the industry of the province. And my Lords are glad to find that such an object formed no part of the intention of that Government in readjusting their Customs' system.

They cannot, however, concur with Mr. Galt in thinking that it should be a subject of gratification to the Canadian Government, if it is found that the duties, absolutely required to enable them to meet the engagements of the province, should incidentally benefit and encourage the production at home of many of the articles which she now imports.

On the contrary, my Lords are of opinion that, should this incidental effect be produced by the operation of the present tariff, and branches of native industry be created which could not have equally prospered without protective duties; it may be found when the financial condition of the province might enable the Government to reduce their import duties; that class of interest will have grown up in dependence upon those duties, which will interpose a very serious obstacle in the way of a return to a sounder commercial policy, and that a system of taxation adopted for the legitimate object of revenue, may be continued for the mischievous purpose of protection.

The Under Secretary of State,
Colonial Office.

I have, &c.
(signed) *James Booth.*

Sub-Enclosure.

MEMORANDUM on the Report from the Minister of Finance in *Canada.*

MR. GALT, in his Report, first discusses a Memorial from the Sheffield Chamber of Commerce against the recent increase of import duties in Canada, and then enters into explanations of the financial position and policy of the Province.

In replying, in the first place, to the opening complaint in the Memorial, of the "recent advance of import duties in Canada." dates are overlooked by Mr. Galt, when he connects this "recent advance" with the tariff of August 1859, and observes that no advance whatever was made on Sheffield goods by the Act in question. That this Act could not be the one in question is proved by the Memorial being dated the 1st of August, and the last Tariff Act the 7th of August 1859, and on the 20th of the previous month of July the Memorialists had had an interview with the Duke of Newcastle, to represent the grievance set forth in the Memorial. The "recent advance" therefore must have had reference to the tariffs of 1856 and 1858. In these years the duties on hardwares and some other manufactured articles were raised from 12½ per cent. (the rate of duty in force since 1849) to 20 per cent. This alteration from 12½ to 20 per cent. was an increase of duty to the extent of 60 per cent. In 1846, British hardware was admitted into Canada, at a duty of 5 per cent., and foreign at 12 per cent. There can be no doubt, therefore, as to the fact of a considerable increase of the Canadian duty in recent years on hardwares and cutlery, and other important articles produced by the manufacturers of the United Kingdom. Whether this increase of duty has occasioned any decrease in the trade of Sheffield with Canada, by encouraging the competition of Canadian or American productions, is another question.

The Canadian duty on hardwares have been too recently augmented to admit of the consequences to the trade with the Province being satisfactorily ascertained; and the period during which the higher duties have been in force has been one of much depression in the import trade of Canada.

The following Table exhibits the total value of manufactured iron and hardwares imported into Canada, and the value thereof from the United Kingdom and the United States respectively, in each year from 1850 to 1858:—

YEARS.	TOTAL VALUE.	Value from	Value from
		United Kingdom.	United States.
	£.	£.	£.
1850 - - - -	330,261	227,919	98,363
1851 - - - -	463,845	316,902	144,747
1852 - - - -	466,096	294,295	169,466
1853 - - - -	648,720	357,939	294,071
1854 - - - -	860,558	511,912	338,333
1855 - - - -	635,630	298,954	330,861
1856 - - - -	645,853	288,192	350,787
1857 - - - -	489,943	244,391	240,316
1858 - - - -	331,078	182,616	147,339

A large increase will be observed down to 1854; and the large amount of imports between 1853 and 1856 is attributable, probably, to some special demand, perhaps, in connection with the railroads, as wrought iron and steel are included in the Canadian returns, under the head of manufactured iron and hardwares. As regards the imports from the United Kingdom, it will be observed that a great falling off occurred before the duties were first increased (about the middle of 1856); and the decrease in 1857 and 1858 could have been but little influenced by the change of duty, as until August 1858 the duty had only been raised from 12½ to 15 per cent. Whether the further augmentation of duty to 20 per cent. will seriously check the importation of British hardwares remains still to be shown by the results of the Canadian Trade Accounts for 1859, and one or two subsequent years. By a Return obtained from the Custom House, it appears that there has been an increased exportation of hardwares and cutlery to Canada in the 11 months of 1859, as compared with the same period in the previous two years.

The

The table first given shows undoubtedly a large increase in the supply of American manufactured iron and hardwares to the Canadian markets; but it does not follow that British goods have given way to American. Although the value of these American goods exceeded that of the British in 1855 and 1856, they experienced a great decline in 1857 and 1858, and in these years the imports from the United Kingdom exceeded in value those from the United States.

Mr. Galt, in his report, states that there are certain descriptions of hardware and cutlery which are manufactured in a superior manner by the American and Canadian manufacturers. In these goods he says, "there is really no competition; their relative merits are perfectly well known." The fact is, Mr. Galt adds, "that certain goods are bought in the Sheffield market, and certain in the American."

These observations upon a difference in the description of goods obtained from England and the United States are rather borne out by an examination of the value of the exports of hardwares and cutlery from the United Kingdom to Canada between 1850 to 1858. Under this heading our accounts are much more restricted to actual wares of iron than the Canadian accounts previously referred to; but a comparison of the movement in this class of our exports and in the imports from the United States, as shown in the previous table, leads to the conclusion that the exports of British hardwares and cutlery to Canada has not been much affected by the growth of the American trade in the same class of goods. These imports from America show a large annual increase from 1850 to 1856, whereas, as appears by the following figures, the British exports of hardwares and cutlery to Canada in the same years show, with the exception of the two years 1854 and 1858, a somewhat steady fluctuation, decreasing and increasing to about the same amounts.

YEARS.	DECLARED VALUE.	YEARS.	DECLARED VALUE.
	£.		£.
1850 - - -	92,561	1855 - - -	92,391
1851 - - -	130,305	1856 - - -	123,642
1852 - - -	93,316	1857 - - -	124,309
1853 - - -	135,105	1858 - - -	72,399
1854 - - -	220,941		

A comparison of this and the preceding table, in the manner suggested, certainly helps to sustain Mr. Galt's statement as to the different description of goods supplied by the United States and the United Kingdom to Canada respectively, rather than to afford evidence of British goods suffering by competition with the American.

In judging of the effect that the new duties in Canada are likely to have upon the trade of Sheffield with that Colony, it is important to consider the mode of valuation adopted in Canada, and the amount of the Canadian duty compared with that levied in the United States. Mr. Galt refers to these points, and the remarks that he makes certainly tend to lessen the probability of the new duty in Canada being very oppressive on the exports from Sheffield.

The valuation for duty in Canada is, as Mr. Galt states, upon the value of the goods in the market where bought instead of upon the value at the port of entry, as is the case in the United States and other countries, where *ad valorem* duties prevail. The principle adopted in Canada must considerably mitigate the pressure of the *ad valorem* rates of duty in that country. The difference in the value of goods at the market where bought and at the port of entry, including in the latter value all costs and charges (except insurance, as in the United States) cannot be less than 12½ per cent., so that goods which would be valued for duty at 100*l.* in the United States would not be valued at more than 87*l.* 10*s.* in Canada. But, taking the case of hardwares and cutlery when imported into Canada and the United States, besides being subject in the United States to the higher valuation for duty, such articles are liable to a duty of 24 per cent., instead of 20 per cent., as in Canada. Therefore hardwares and cutlery of every 100*l.* value at the port of entry would have to pay a duty of 24*l.* in the United States, and but 17*l.* 10*s.* in Canada, a difference of 6*l.* 10*s.*, or 27 per cent. in favour of the latter.

If Sheffield is not shut out from the American market by a duty of 24 per cent. on a valuation at the port of entry, the trade of that town with Canada is not likely to be seriously injured by the duty of 20 per cent. on a valuation at the market price at home.

Mr. Galt refers to this fact, when he maintains the power of the manufacturers of Sheffield to compete with those of America in the Canadian markets. Mr. Galt says, "Sheffield is able now to export very largely of these very goods to the American market, paying a duty of 24 per cent., and competing with the American maker. Certainly then in the Canada market, Sheffield paying only 20 per cent., can have nothing to fear from American competition which is subject also to the same duty." Some opinion of the extent to which Sheffield is able to export to the United States, may

PAPERS RELATING TO

be formed from the following statement of the value of British hardwares and cutlery, exported to the United States in each year from 1850 to 1858:

YEARS.	VALUE.	YEARS.	VALUE.
	£.		£.
1850 - - -	1,049,903	1855 - - -	906,854
1851 - - -	1,080,487	1856 - - -	1,222,419
1852 - - -	968,492	1857 - - -	1,031,867
1853 - - -	1,334,127	1858 - - -	664,097
1854 - - -	1,431,696	1859 (11 months)	1,047,032

These figures show an export five times as large as that to Canada, and it is to be observed that these exports were, for almost the whole period, subject, upon importation into the United States, to a duty of 30 per cent. It was not before 1857, that the American duty was reduced to its present rate of 24 per cent.

It will not be necessary to make many remarks upon that part of Mr. Galt's Report, which refers to the calculations by the Memorialists of the relative costs of delivering Sheffield and American goods in Canada. As the Memorialists fix these costs when the duty is deducted, at from 15 to 20 per cent. to themselves, and at no more to the American manufacturers than from 2½ to 5 per cent., they probably represent the advantage of proximity to be greater than it really is, and expose their calculations to Mr. Galt's charge of being erroneous; but against such an advantage having much influence on the competition between the English and American hardware manufacturers, there is, as Mr. Galt observes, the fact of the large export of English goods to America itself, and also the probable higher cost at which the goods are produced in America.

The Memorialists assert that Canada has more than 1,000 miles of unguarded frontier across which the American manufacturer can smuggle with impunity, but Mr. Galt says, this is a reckless assertion, and shows that the Canadian Government is not indifferent to the protection of its Customs Revenue on every available route. The Americans have certainly availed themselves to a great extent of the legitimate channels of trade with Canada, until the recent alterations of duty and the facilities for smuggling do not appear to be such as to encourage a contraband trade to any extent, under the present system of higher duties.

Judging, therefore, by the exports of hardwares and cutlery from the United Kingdom to Canada, during years in which there was a very large increase in the American supply of manufactured iron and hardwares, and by the exports from the United Kingdom to the United States under higher duties, there does not appear to be much ground for apprehending any serious injury to the trade of Sheffield with Canada from the recent increase of duty in that Colony.

That it would have been better for both the Sheffield producers and the Canadian consumers had the Canadian duties not been raised is not to be disputed; but the necessities of the Province must prevail over these interests for the present.

After controverting the Memorial, Mr. Galt proceeds to give a detailed explanation of the commercial policy and legislation of Canada, which "He believes will abundantly prove that the policy of Canada, so far from being opposed in principle to that of the "Mother Country, has been in accord with it, as far as differing circumstances would "permit."

Mr. Galt then briefly refers to the policy in force, and the changes made in it between 1841 and the present time.

But a comparison of the changes in the commercial legislation of Canada and of the mother country in the period alluded to, will scarcely entitle Canada to claim the accordance which Mr. Galt would establish.

The principle of protection was much more general in the English than in the Canadian tariff, and the rates of duties were much higher in England than in Canada.

The chief instance of similarity in the Imperial and Colonial policy has been as regards the importation of corn; but in this respect the circumstances of the two countries were so dissimilar, that the repeal of the duty on corn, though corresponding in principle, was a change that operated very differently at home and in the Colony.

If, however, as regards protective duties, some identity of principle may be traced in the policy pursued in Canada and Great Britain, the same cannot be done with respect to discriminative duties. In Canada, the discriminating duties, which admitted British produce at less than half the duty on foreign, were wholly discontinued in 1848; and where duties were retained, the higher rates were made applicable to both British and foreign produce. In England, on the other hand, discriminative duties have been retained in favour of some articles of Colonial produce, especially as regards timber, the chief article of export from Canada. And in discontinuing the principle of differential duties for Colonial and foreign produce, the policy in England has been, where the duty has not been altogether repealed, to lower the rates for both foreign and Colonial imports; the policy of Canada has not therefore been in accord with that of England as regards discriminative duties. The cessation of such duties in Canada so far back as 1848, must be considered rather more the result

result of Imperial than of Canadian legislation. The Canadians have frequently memorialized the Home Government for the maintenance of differential duties in favour of their productions when imported into England; and had England required reciprocity on the part of the colony, the equalization of the Canadian duties on British and foreign imports could not have taken place so long as the productions of Canada were favoured by the British tariff.

The repeal of the Navigation Laws is alluded to by Mr. Galt. It was a change of policy highly beneficial, no doubt, to the commercial interests of Canada; but for much of the good that Canada derives from improved commercial relations, under free navigation and an equalized system of duties, she is chiefly indebted to an unselfish policy on the part of Great Britain.

In referring to the value of the imports into Canada between 1841 and 1858, Mr. Galt prominently notices the great increase in the amount of goods imported duty free.

It is true that many miscellaneous articles are now admitted into Canada free of duty, but the majority of them are only imported in small quantities.

The great increase in the imports of free goods is owing to the large trade with the United States, since the Reciprocity Treaty of 1854 in corn and meat provisions. Wheat and Indian corn were made free in Canada in 1850, but there were no considerable imports of such grain before 1854, when the Reciprocity Treaty was made, and when other kinds of grain and flour of all kinds were also made free of duty. In each year since 1854, Canada has imported grain and flour very largely; principally of course from the United States. But in the same years, and under the same treaty, there has been a very large export of the same articles from Canada to the United States, much exceeding, in fact, the imports from the United States. There is therefore a simple exchange, as it were, of corn between the two countries, according probably to the production and requirements of particular and contiguous localities. Such an arrangement is doubtless very beneficial to Canada and the United States, and is in itself a free trade; but it is special in its character, and influences so largely any illustration of the commercial policy of Canada by means of a comparison of the value of free goods imported at different periods, that it is desirable to see how the free goods have advanced in proportion to the total imports, if corn is excluded. Mr. Galt shows that the value of free goods imported into Canada was, on an annual average, 2½ per cent. of the total imports from 1841 to 1848, 7 per cent. from 1849 to 1854, and 29 per cent. from 1855 to 1858. How largely this increase in the free goods is due to the reciprocal trade in corn with the United States, the following figures will show. The periods taken by Mr. Galt cannot be conveniently followed, for want of the original returns; but a comparison of the free goods with and without corn in 1850, when wheat and Indian corn were first admitted free of duty, and in 1855, the year following the Reciprocity Treaty, will suffice for the purpose.

	1850.	1855.
Total value of imports into Canada - - -	£. 4,245,517	£. 9,021,542
Value of free goods with corn - - -	294,133	2,596,383
Proportion of total imports - - -	7 per cent.	28½ per cent.
Proportion without corn - - -	£. 256,216	£. 1,507,125
Proportion of total imports - - -	6 per cent.	16 per cent.

The per-centages, including corn, in 1850 and 1855, correspond with Mr. Galt's averages for 1849 to 1854, and 1855 to 1858. But omitting corn from the free goods, an increase is shown of from 6 to 16 per cent. against that shown by Mr. Galt of from 7 to 29 per cent. Thus, by making allowance for the special and large increase in the imports of corn, the increase in the value of free goods cannot fairly be reckoned according to the rates stated by Mr. Galt. In 1850, the corn admitted free of duty formed but 13 per cent. of the free goods; whereas in 1855, 42 per cent. of the free goods consisted of corn and meal. It is deserving of notice how much the increase in the value of the total imports of Canada between 1849 and 1858 is occasioned by the great advance in the free goods. According to the figures appended to Mr. Galt's report, the annual average value of the imports between 1849 and 1854 was 5,967,000 £, and between 1855 and 1858 it was 9,261,000 £; showing an increase of 3,294,000 £, or 55 per cent. Deducting however the free goods, the value for the first period was 5,559,000 £, and for the second 6,564,000 £, the increase being only 1,005,000 £, or 18 per cent.

In connexion with the value of the total imports and free goods, Mr. Galt exhibits the amount of duty received, and he attaches much importance to the proportion which the duty bears to the imports, as being a proof of the trifling addition that has really been made to the Customs Duties in Canada. Mr. Galt deduces the following results of the proportion borne by the total amount of duty received to the total imports on an annual average:—

Between 1841 and 1848 - - - - -	Duty 10½ per cent.
„ 1849 and 1854 - - - - -	„ 13½ „
„ 1855 and 1858 - - - - -	„ 10½ „

But as the principal charges in the Canadian tariff were made in August 1858, Mr. Galt gives a separate result for that year, thus:—

1858 to 7th August	- - - - -	Duty 11 per cent.
1858 from 7th August	- - - - -	„ 12½ „

Further on in the Report, Mr. Galt adds a similar result for the first nine months of 1859, during which period the new tariff of the present Canadian Government has been in force.

1859, 9 months	- - - - -	Duty 13½ per cent.
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To these results, and especially the last, Mr. Galt requests the attention of the Duke of Newcastle, “as showing that the increased rate of duty in 1859, as compared with 1858, has only been from 12½ to 13½ per cent., which can scarcely be deemed excessive.” And further on in the Report, Mr. Galt again compares these percentages to show how little the rate of duty levied in 1859 exceeds the rates in previous years. If the relative rates of duty in different years, and under different tariffs, could be correctly deduced in the manner adopted by Mr. Galt, there would still be the objection that the proportion of duty is calculated upon the total imports, instead of upon the duty-paying goods only. This makes a considerable difference in the results obtained, as the larger proportion of free goods in the latter periods has the effect of keeping down the percentage of the duty to the total imports. By calculating the proportion of the duty received on the duty-paying goods only, the results would be,

	Per Cent.	Per Cent.
Between 1841 and 1848	- - - - - 10.4	instead of 10.25
„ 1849 and 1854	- - - - - 14.3	„ 13.25
„ 1855 and 1858	- - - - - 14.6	„ 10.25
1858 to 7th August	- - - - - 15.6	„ 11.0
„ from 7th August	- - - - - 17.1	„ 12.50
and 1859, 9 months	- - - - - 19.0	„ 13.50

Here then, instead of a difference, as shown by Mr. Galt, of only from 10.25 to 13.50, there is an advance of from 10.4 to 19 per cent. And as regards the comparison of 1859 with 1858, the increase of 2 per cent. upon a 17 per cent. general rate of duty, instead of 1 per cent. upon a general rate of 12½ per cent. would, in effect, be a much heavier increase of duty than is indicated by the relative difference between 2 per cent. in the one case and 1 per cent. in the other.

The great increase in the tariff of Canada has been the raising of the duties upon manufactured articles from 12½ to 20 per cent., and from these articles, under both of these *ad valorem* rates, more than two-thirds of the Customs Revenue of Canada has been obtained.

It is clear, therefore, that the results deduced by Mr. Galt, showing only a small percentage increase in the proportion of the duty to the total imports since the duties have been raised, does not afford any true indication of the actual augmentations of duty in Canada. The results shown by computing the proportion of the duty to the imports of duty-paying goods, only afford a better indication of the changes in the commercial legislation of Canada. No sound inference as to the advance in particular rates of duty can, however, be drawn from such premises.

The fact is patent that rates of duties which are levied upon quite two-thirds of the duty-paying imports into Canada, have been raised from 12½ to 20 per cent., an increase, as has been previously stated, of 60 per cent. It is quite true that such an addition to the rates of duty may not prevent some increase in the trade of Canada, but it is, probably, quite sufficient to check any considerable development of the import trade of the province. Mr. Galt states that “The real increase of revenue was looked for from a revival of trade,” but a revival to any extent is certainly made very uncertain by a considerable increase in the rates of duty. The opposite policy is adopted in the Mother Country to promote an extension of commerce.

The change in the system of duties from specific to *ad valorem* for certain goods, may, with the mode of valuation adopted in Canada, encourage and develop the direct trade by sea, between Canada and foreign countries, which, Mr. Galt says, was one of the objects of the tariff of 1859. The trade accounts of Canada show that tea and sugar have been for some years past almost entirely received from the United States, but it is difficult to ascertain whether the trade has been directed to this channel by the operation of specific duties, as stated by Mr. Galt, or by any facilities of communication existing in the United States.

With regard to the articles selected for an increase of duty in order to meet the deficiency of the Canadian revenue, it is probable that the class chosen by the Minister of Finance was the one the most to be relied upon for affording an immediate increase of revenue. Although this object may have been attained by the recent augmentations of duty, it does not at all follow that the development of the commercial interests of Canada, and of the British trade with Canada, will not be interfered with by the maintenance of the existing duties on manufactured goods. As the Minister of Finance states that “The fiscal
“ policy

“policy of Canada has invariably been governed by consideration of the amount of revenue required,” and as he concludes his report by intimating that “it will be a subject of the highest gratification to the present Government when a reduction in the scale of duties is possible,” a modification of the 20 per cent. duties may be reasonably expected, if the import trade of Canada should sufficiently recover from its recent depression.

However little the Imperial Government may think it right actively to interfere in the financial legislation of Canada, the Executive authorities in that Province should bear in mind that so long as discriminating duties exist in the British tariff in favour of Canadian timber, the manufacturers of England will naturally be very sensitive to the imposition of heavier duties in Canada, when the increased taxation will more particularly fall on the British trade.

It may be right, in conclusion, to notice that at page 6 of the Report, Mr. Galt states, that “the articles on which he proposed to obtain additional revenue were cotton goods, to be raised from 15 to 20 per cent., and iron, steel, &c., from 5 to 10 per cent.”

But, by comparing the Canadian tariffs for 1859 and 1858, the duty upon linens and earthenware would also appear to have been raised, in 1859, from 15 to 20 per cent. In the tariffs in force in 1858 these articles were not specially enumerated, and the duty of 15 per cent. on “unenumerated goods” applied to them, and under that rate of duty they appear in the Import Accounts for 1858. The tariff of 1859 also does not separately enumerate linens and earthenware, and therefore it is presumed they must be included under “unenumerated goods,” which are charged with a duty of 20 per cent.

Statements are appended of the imports and exports of grain into and from Canada; and of the exports of the principal kinds of timber to the United Kingdom.

VALUE (in Currency) of the Principal Kinds of CORN and FLOUR Imported into Canada.

YEARS.	Wheat.	Indian Corn.	Other Kinds of Grain and Flour.	TOTAL.	Total Grain and Flour from the United States.
	£.	£.	£.	£.	£.
1850 - - -	28,484	9,433	6,378	44,295	43,117
1851 - - -	73,745	16,957	5,498	96,200	95,409
1852 - - -	19,238	26,566	4,766	50,570	49,740
1853 - - -	3,666	61,931	11,522	77,119	70,265
1854 - - -	34,728	177,735	18,165	230,628	225,832
1855 - - -	365,406	280,136	443,716	1,089,258	1,077,483
1856 - - -	423,523	209,576	261,095	894,194	878,415
1857 - - -	593,644	180,109	366,278	1,140,031	1,126,892
1858 - - -	411,872	98,164	213,941	723,977	711,499

VALUE (in Currency) of the Principal Kinds of CORN and FLOUR Exported from Canada.

YEARS.	Wheat.	Barley and Rye.	Flour.	Other Kinds of Grain and Flour.	TOTAL.	Total Grain and Flour to the United States.
	£.	£.	£.	£.	£.	£.
1850 - -	268,034	7,767	685,796	76,701	1,038,298	661,533
1851 - -	171,795	21,557	670,825	67,550	931,727	471,398
1852 - -	355,457	19,337	689,378	81,229	1,145,401	789,992
1853 - -	772,610	6,505	1,062,209	136,850	1,978,174	1,212,796
1854 - -	524,534	23,580	1,199,175	54,923	1,802,212	1,307,119
1855 - -	1,432,217	145,807	1,450,480	135,932	3,214,436	2,909,201
1856 - -	1,744,461	226,820	1,502,452	235,177	3,708,910	2,934,605
1857 - -	697,493	171,016	1,134,411	163,043	2,165,963	1,724,503
1858 - -	688,774	253,909	766,452	328,830	1,937,965	1,400,294

VALUE (in Currency) of the Principal Kinds of TIMBER* Exported from *Canada* to the
United Kingdom.

YEARS.	VALUE.	YEARS.	VALUE.
	£.		£.
1850 - - -	727,963	1855 - - -	989,031
1851 - - -	935,058	1856 - - -	1,378,705
1852 - - -	937,850	1857 - - -	1,694,959
1853 - - -	1,482,181	1858 - - -	1,218,842
1854 - - -	1,675,401		

* Including Pine, red and white, Deal staves, Elm, and Oak.

— No. 6. —

(No. 32.)

No. 6.
Governor Sir Ed-
mund Head, Bart.,
to the Duke of
Newcastle, K.G.
11 April 1860.

COPY of a DESPATCH from Governor the Right Honourable Sir *Edmund Head*, Bart., to His Grace the Duke of *Newcastle*, K.G.

Government House, Quebec,
11 April 1860.

My Lord Duke,

REFERRING to your Grace's Despatch of 31st January, No. 8,* I have now the honour to enclose a copy of a Minute of the Executive Council of Canada, approved by myself.

I have, &c.
(signed) *Edmund Head.*

His Grace the Duke of Newcastle, K.G.,
&c. &c. &c.

* Page 27.

Enclosure in No. 6.

Encl. in No. 6. COPY of a REPORT of a Committee of the Honourable the Executive Council, approved by His Excellency the Governor General, on the 16th March 1860.

THE Committee have attentively perused the accompanying Memorandum, dated 13th March 1860, from the Honourable the Minister of Finance, submitting certain observations on the letter of the Committee of Privy Council for Trade, dated 17th January 1860, and upon a communication from the Statistical Department of the Board of Trade, transmitted by his Grace the Duke of Newcastle by Despatch of 31st January 1860; and, concurring in the opinions expressed by the Minister of Finance in his said Memorandum, respectfully advise that a copy thereof be forwarded by your Excellency to Her Majesty's Secretary of State for the Colonies.

Certified,

(signed) *Wm. H. Lee,*
Clerk of Executive Council.

THE Minister of Finance has the honour respectfully to submit to his Excellency the Governor General in Council certain observations upon the letter of the Committee of Privy Council for Trade, dated 17th January, and upon the accompanying Memorandum from the Statistical Department of the Board of Trade, transmitted by his Grace the Duke of Newcastle by Despatch of 31st January 1860.

The Minister of Finance finds that, on full consideration of the subject of the late Canadian tariff, my Lords "think that the justification of this measure is to be found in the financial exigencies of Canada, and the difficulty, if not impossibility, under the peculiar circumstances of the Province, of raising the necessary amount of revenue from any other source than the import duties upon manufactures, which enter largely into its consumption. Upon this ground my Lords stated, in their letter of 20th October, that they were not prepared to disapprove the course which had been taken by the Government of Canada in framing the Tariff Act of 1859. They think that the explanations given in Mr. Galt's report of the principles upon which it was framed are, on the whole, satisfactory."

The Minister is gratified to observe that my Lords have thus, on reconsideration, with-
drawn

drawn the strong expressions of disapproval contained in the Despatch from his Grace the Duke of Newcastle of 13th August last.

The important point, in which the Canadian Government considered their policy to have been misunderstood, having been thus settled, it is not necessary to prolong the discussion upon details; but the Minister of Finance feels it his duty to advert to some of the arguments used by my Lords, lest the absence of notice should imply assent on his part.

My Lords state that "they do not concur in thinking it should be a subject of gratification to the Canadian Government, if it is found that the duties absolutely required to enable them to meet the engagements of the Province should incidentally benefit and encourage the production at home of many of the articles which she now imports: on the contrary, my Lords are of opinion that, should this incidental effect be produced by the operation of the present tariff, and branches of native industry be created, which could not have equally prospered without protective duties, it may be found, when the financial condition of the Province might enable the Government to reduce their import duties, that a class of interests will have grown up in dependence upon those duties, which will impose a very serious obstacle in the way of a return to a sounder commercial policy, and that a system of taxation adopted for the legitimate object of revenue may be continued for the mischievous purpose of protection."

In this case it appears to the Minister of Finance that my Lords object to a result which, in the first instance, must necessarily be advantageous to the country, from a vague apprehension that, in the uncertain future, it may prevent a diminution of duties on manufactured goods. In any country it would seem desirable to vary the employments for capital and industry, and thus diminish, if not altogether prevent, the disasters which attend a failure in the case of a people depending altogether on one means of subsistence.

The first establishment of even the lower grades of manufactures is always attended with difficulty; and investments of this nature, when once in operation, and having secured the skilled labour required, will be able to maintain themselves, even in the face of a gradual future reduction of duty. It may also be observed that if the coarser articles be manufactured in any country, the larger ability will it possess to import those of a more expensive character. A large part of Canada is not capable of producing a surplus of cereals for export, and it ought, therefore, to be a subject of congratulation if, without imposing any duty for the purpose of protection, employment can be found for those labouring classes who now seek it in the United States.

The Minister of Finance does not therefore share the apprehensions of my Lords, but believes that, having the advantage of the experience of the Mother Country, Canada will be enabled, in the future, to shape her commercial policy so as to give the freest scope to the industry of the people.

In the Memorandum from the Statistical Department of the Board of Trade, it is stated: "In replying, in the first place, to the opening complaint of the Memorial of the 'recent advance of import duties in Canada,' dates are overlooked by Mr. Galt when he connects this 'recent advance' with a tariff of August 1859, and observes that no advance whatever was made on Sheffield goods by the Act in question. That this Act could not be the one in question is proved by the Memorial being dated the 1st of August, and the last Tariff Act the 7th of August 1859, and on the 20th of the previous month of July, the Memorialists had an interview with the Duke of Newcastle to represent the grievance set forth in the Memorial. The 'recent advance,' therefore, must have had reference to the Tariffs of 1856 and 1858."

In this case, it is submitted that the mistake will be found to have been originally made by the Board of Trade, and is again repeated in the above extract. The dates of the Memorial (1st August 1859) and of the interview with his Grace are correctly stated, but the last Tariff Act passed on the 22d March 1859, and the previous Act of the 7th August 1858; and the fact that the Memorialists from Sheffield appended to their Memorial an extract from a Colonial paper of July, animadverting expressly upon "Mr. Galt's Tariff," shows that they must have been aware of its being in force before the date of the Memorial.

The Minister of Finance is gratified to observe that, as regards the various points complained of in the Memorial from the Chamber of Commerce, the Board of Trade is of opinion that they were not well-founded, and that "There does not appear to be much ground for apprehending any serious injury to the trade of Sheffield with Canada, from the recent increase of duty in that Colony."

Exception is taken in the Memorandum from the Board of Trade to the general statement made by the Minister of Finance, that the "Policy of Canada has been in accord with that of the Mother Country, as far as differing circumstances would permit;" and it is contended that, inasmuch as England reduced her duties on foreign goods to a par with those levied on Colonial, while Canada increased those on British goods to the rates levied on foreign, a material difference in policy existed. In reply, it may be urged that the principle in both cases is the same, and also that the operation of the change in England of reducing the discriminative duties which existed in favour of the Colonies, is exactly similar in effect to that adopted by Canada, in increasing the duties on British goods. The result is to do away with exceptional advantages on both sides. The amount of duty levied in either case does not affect the principle on which it is imposed.

It may not be desirable to enter upon any discussion as to the repeal of the Navigation Laws, or the advantage which Canada may have derived therefrom; this step became absolutely necessary, as regards Canada, after the previous legislation of Great Britain. But it is quite certain that, as regards the trade of the Great Lakes, without reference to

the general question of the coasting trade of this Continent, the policy of Great Britain has been more favourable to the citizens of the United States than to Canada.

The Memorandum of the Board of Trade enters at considerable length into the discussion of the correctness of the mode in which the Minister of Finance has established the amount of taxation in Canada, at different periods; and it is contended that, in the first place, the imports and exports of corn should be excluded from any calculation, and, secondly, that the correct result can be arrived at by taking the duty-paying goods only.

As respects the exclusion of corn from the calculation, it is stated correctly in the Memorandum to arise from the varied production and requirements of particular and contiguous localities; but so far from it requiring this article to be excluded from the comparative statements of trade under the system of free trade, it is plainly necessary to include it on the very ground stated by the Board of Trade; because, had the duty been maintained, the excess of corn produced in one section of Canada would have been artificially forced into consumption in another, at increased cost, or a corresponding quantity would have been imported from the United States, and would have paid duty—in either case causing a burthen upon the community. Even excluding corn from the free goods, it is admitted that between 1849 to 1854, and 1855 to 1858, they have increased from 6 to 16 per cent., which sufficiently indicates the direction of the policy of Canada.

But the Memorandum demands not only the exclusion of corn but that of all free goods, and offers a calculation based upon the duty-paying goods only, whereby it is contended that the duty has been increased from 10·4 to 19 per cent. between 1841 and 1859, and from 17·1 to 19 per cent. by the late Canadian tariff, instead of from 10½ to 13½ and from 12½ to 13½ per cent.

That this mode of calculation is fallacious may be shown by simply pointing out that, if the Board of Trade be correct, the Legislature of Canada could, by extending the Customs duties over the free goods, actually raise the same revenue, while at the same time they reduced the duty paid from 19 per cent. to 13½, as stated by the undersigned, which would manifestly be a complete delusion, as the amount levied on the consumer would remain the same. It appears evident that so long as Customs duties are levied, the gross amount collected must be subdivided over the entire imports in estimating the relative weight of Customs, comparing one year with another. It does not absolutely settle the amount of taxation paid by the people, as that must depend upon other fiscal burthens as well, but it certainly forms a correct measure of the amount levied upon the import trade.

The Board of Trade rest much weight upon the fact, that manufactured goods have been raised from 12½ per cent. in 1856, to 20 per cent. in 1859; but they do not advert to the fact that between the same periods the duty on sugars, molasses, teas, and a variety of other articles had been greatly reduced, and in some cases removed altogether. It is quite true, as stated in the Memorandum, that an increase of duties must operate against an extension of commerce; and the undersigned admits, that if the duties on manufactured goods were removed altogether, the consumption of Canada would be enlarged; but the same remark applies to the tea and sugar duties in Great Britain, which, in like manner as the Canadian duties on goods, are maintained from the necessity of procuring income. The point to be desired is evidently to fix such a rate of duty as will not, by a diminution of consumption, defeat the object of obtaining revenue, and the undersigned contends that this point has not been exceeded in the 20-per-cent. duties.

The Memorandum adverts to the increase of duty from 15 per cent. to 20 per cent. on linens and earthenware, and appears to have been written under the impression that the Minister of Finance had stated there had been no increase in those articles. A reference to his report will show, that while he spoke of "Cotton, iron, and steel, &c.," as the principal articles upon which increased duties were levied, he did not by any means state them to be the only ones.

The conclusion of the memorandum states:—

"However little the Imperial Government may think it right actively to intervene in the financial legislation of Canada, the Executive Authorities of that Province should bear in mind that, so long as discriminative duties exist in the British tariff in favour of Canadian timber, the manufacturers of England will naturally be very sensitive to the imposition of heavier duties in Canada, when the increased taxation will more particularly fall on the British trade."

On this it is only necessary to remark, that the British tariff is now proposed to be altered so far as to remove the discriminative duty in favour of Colonial timber. The Minister of Finance does not presume to question the propriety of the British Government arranging its tariff in the mode considered most advantageous to the British consumer; but it may be regretted that the intention to effect this change had not been announced beforehand, so as to prepare the Colony for it, as the timber trade is peculiar, and requires preparation many months before the timber can be brought to market.

The Minister of Finance trusts that the explanations which have been afforded on the subject of the Canadian tariff will have removed all misapprehension from the minds of my Lords the Committee of Privy Council for Trade, as to the policy of Canada being in any way opposed to the interests of the empire at large, but has been adopted with the view of maintaining unimpeached the credit and good faith of the Province.

13 March 1860.

Respectfully submitted,
(signed) A. T. Galt.



CUSTOMS DUTIES (CANADA).

COPY of CORRESPONDENCE between the Colonial Office and the Authorities in *Canada*, on the subject of the Removal or Reduction of the Duties charged on BRITISH Goods entering *Canada*.

(*Mr. Aytoun.*)

Ordered, by The House of Commons, to be Printed,
17 June 1864.

400.

Under 8 oz.