

SIR FRANCIS HINCKS'

BUDGET SPEECH.

TUESDAY, APRIL 30, 1872.

Sir FRANCIS HINCKS, in moving the House into Committee of Ways and Means, said: Mr. Speaker,—I propose to follow on this occasion, the course suggested last year by the hon. member for Chateauguay, and to make the financial statement, which it is my duty to submit to the House, while you, sir, are in the chair, upon motion to go into Committee, instead of following the former practice of making that statement while the House is in Committee. As there are several new members in the House, whose presence we all hail with satisfaction, I think it proper to state on the present occasion, that owing to the time at which the fiscal year terminates, it is necessary to take into consideration the revenue and expenditure of three fiscal years, viz., the year which terminated on the 30th June last, the year now coming near to a close, the results of which can be calculated with tolerable accuracy, and the year for the services of which we are about to ask the House for supplies. I think I may also on this occasion, for the information particularly of new members, make a few remarks with regard to the state of the public debt. An hon. member of this House—indeed, one of the new members—in course of conversation a few days ago, was quite astonished to hear the small amount of the debt, having been under the impression it was much larger. I told him that in round numbers it amounted to about \$80,000,000. The

last statement showed that on the 30th June last, the actual net debt was \$77,706,517, but as there were a number of assets, some of which might not be worth par, I may be safer in speaking of it as \$80,000,000. I may observe, also, with reference to the debt, that there is one feature of it which has caused every year an increase of the gross debt without causing an increase of interest payable on it. That increase arises from the non-settlement of the debt of the old Province of Canada, which has rendered it necessary to keep an open account with the Provinces of Quebec and Ontario, so that an item of about seven and a half millions of dollars appears on both sides—that is, as a debt and as an asset. It, however, involves no charge of interest whatever. The auditor's report on the transactions of the last fiscal year and the appendices, will, I hope, be found to present the actual position of the debt and of the assets in a clearer manner than in former years. The fact that the interest received on the assets is about 20 per cent. on the interest paid, must be considered ample proof of their value. The statements regarding the capital expenditure since Confederation must be considered most satisfactory. From them it will appear that during the four years since Confederation there was expended on the Intercolonial Railway, on the purchase of the North West Territory and expenditure consequent thereon, for which loans were specially authorized, \$7,268,698; also against Public Works chargeable against capital, by authority of Parliament, \$1,130,885. From this latter sum, however, an amount was transferred to the Consolidated Fund Revenue account by my direction, because exception was taken in the Committee of Public Accounts, to some items as improper charges against capital. These items amounted to \$317,580.12, reducing the expenditure on Public Works chargeable against capital, to \$813,205, which, added to \$7,268,698, gives \$8,081,903 as the expenditure on capital account, while the total increase of debt since Confederation has been only \$1,977,776, so that \$6,104,027.58 has been expended out of our current revenue, on important public works, and in the acquisition of the North West Territory. I may add that though of that large amount, no less than \$3,640,248.19 was expended in the year 1870-71, the net debt has decreased for the first time in the history of the country, by \$503,224 (hear, hear). I may take the opportunity of calling attention to one item among the assets which may possibly tend to relieve the mind of my hon. friend from Lennox, who has on more than one occasion, expressed apprehensions of embarrassment from our large Savings Banks deposits, which I am happy to say now amount in all the Provinces, to about four and a half millions. There is held in London \$1,362,666 in 5 per cent. Canada bonds, specially on Savings Bank account. As these bonds could be turned into money at any moment and drawn against, and as they are above 25 per cent. of the aggregate Savings Bank deposits, I should imagine that no alarm need be felt on that account. I will now refer, and I hope for the last time, to the attacks made on the Government on account of the policy of my predecessor with reference to the investment of the proceeds of the first half of the Intercolonial Railway Loan. On the 1st of July, 1869, we held in Exchequer Bills \$6,575,410.03, or in other words, the Consolidated Revenue was indebted that amount to the Railway Commissioners. On 1st July, 1870, the Exchequer Bills were reduced to \$2,224,353, and on 1st July, 1871, there were no Exchequer Bills, but on the contrary the Consolidated Fund was largely

in advance to the railway account. Of course, this amount is changing day after day, but always in the direction of increased indebtedness to the Consolidated Fund. The last statement I have had was up to the 16th of this month when we had paid \$8,612,492 on that account leaving only \$1,120,841 of the amount raised, being the half of the whole loan. We have in deposit in the Bank of Montreal on Intercolonial Railway account bearing interest, \$4,500,000, so that the Intercolonial Railway owes the Consolidated Fund \$3,379,159. Again we have in London \$3,000,000, or to speak more correctly, £600,000 sterling in Imperial Guaranteed Bonds and Canada 5 per cents, half of each issued on North West account, which we can place in the market at any moment that we please, and in addition to these amounts we have about one million of dollars in Bank deposit receipts bearing interest. I hold therefore that our financial position is impregnable (hear, hear). I shall now proceed to the consideration of the accounts of the year which terminated on 30th June, 1872. In the estimates of last year, as submitted by me, I anticipated an aggregate revenue of \$17,360,000. The actual result has been a revenue of \$19,335,560.81 or an excess of revenue of \$1,975,560.81. On the other hand the actual expenditure has been only \$15,623,081.72, so that the aggregate surplus on the year is \$3,712,479.09. As I am well aware that I may reasonably expect criticism from the honorable gentlemen opposite, and have no desire to shrink from it, I will anticipate the charge that my estimates of revenue have turned out wholly unreliable. I readily admit that such has been the case, but I have very high authority, no less than that of the distinguished statesman who is Chancellor of the Exchequer in England for maintaining that it would be most unsafe for a Minister to make a mere speculative estimate, and to ignore that furnished by officers whose special duty it is to make themselves acquainted with facts. The gentleman to whom I refer was placed in rather an embarrassing position inasmuch as he had in a previous year made too low an estimate of revenue by something like £2,000,000 stg., and had, in order to meet the anticipated deficiency, put on an income tax against the remonstrances of some gentlemen in the House who told him his estimate was a great deal too low. It turned out as they stated, and next year he had to come down and admit that the gentlemen who had criticized his estimates were more correct than he was. He thus certainly found himself in an embarrassing position one much more embarrassing than I put myself in, as last year when I stated my expectations of revenue the hon. member for Sherbrooke (Sir Alexander Galt) admitted that they were reasonable and no exception was taken to them. I will say, moreover, that erroneous calculations in estimates are of far less importance in Canada than in England. In England, as we all know, there is an enormous public debt of £750,000,000 sterling, which was contracted ages ago for the defence of the country, and handed down from generation to generation. Public opinion in England has long since settled down against making any attempt to reduce the capital of that debt. It is considered that the people should not be taxed beyond the amount necessary to pay the interest and the ordinary expenses of Government. It is to be recollected that our debt is not contracted for such purposes as the debt of England is contracted, but for objects which will be more beneficial to the generations to follow us (hear, hear) than they are to us. If I had anticipated that the result would have been as it has turned out, I would not have been prepared to

come forward under the circumstances to propose any further reduction of taxation. It will be recollected that last year we reduced taxation by the abolition of the 5 per cent duty equal to about \$500,000 and that afterwards at the instance of the House, without doubt from the pressure of the House, we had to take off other duties which might be estimated at \$300,000, making a reduction of taxation during that year of no less than \$800,000. I desire to explain the chief items in which the revenue is in excess. In order to do this satisfactorily I must eliminate the amounts received on account of new duties imposed in 1870. These duties in the year ending 30th June, 1871, amounted to \$640,778, and deducting this amount from the aggregate revenue of \$11,843,655 we have a revenue of \$11,202,877. Making the same deductions in 1870 we have a revenue of \$9,277,489.69. There were some alterations made in the Customs tariff in 1870 that were not included in the reductions of 1871. There was additional duty on wine, tobacco, cigars, rice, hops, and one or two other articles, but they are not of great importance, though it is not desirable to lose sight of them as they have added a little to the revenue. The excess of 1871 over 1870 was \$1,925,387.35. It will be obvious that considering the very great number of articles upon which the revenue is raised, being chiefly on articles which came under the 15 per cent. duty, it would be perfectly impossible to go into any minute detail with regard to those items. I will, however, observe that out of this \$1,925,387.35 there was a gain on nineteen leading articles of \$1,543,637.45. Then, if you compare 1871 with 1869, the excess on the 19 leading articles was \$2,474,190. I will state what these articles principally are:

Spirits gave in	1869	.....	\$ 810,019
“	“	1870	901,547	
“	“	1871	1,024,287	
Cigars gave in	1869	.....	37,126
“	“	1870	55,372	
“	“	1871	108,115	
Tea gave in	1869	.....	916,177
“	“	1870	1,140,648	
“	“	1871	1,157,315	
Wine gave in	1869	.....	129,178
“	“	1870	170,547	
“	“	1871	195,181	
Sugar cane juice and molasses in	1869	.....	1,476,531
“	“	“	1870	1,846,774
“	“	“	1871	1,933,154
Cotton goods in	1869	.....	1,107,003
“	“	1870	1,100,998	
“	“	1871	1,361,579	
Woollens in	1869	.....	1,008,382
“	“	1870	1,045,287	
“	“	1871	1,457,476	
Iron and Hardware in	1869	.....	319,725
“	“	1870	354,934	
“	“	1871	466,525	
Silks and Satins in	1869	.....	158,568
“	“	1870	192,185	
“	“	1871	305,995	

I will not weary the House with further details, but under the 19 heads of revenue the collections were—

In 1869.....	\$6,827,754
In 1870.....	7,758,308
In 1871.....	9,301,915

I may state that considerably more than one half of our customs revenue is derived from 5 sources, viz., spirits, tea, sugar molasses, cotton and woollen manufactures and that those articles gave—

1869.....	\$5,318,114
1870.....	6,035,256
1871.....	6,933,382

As I said before, I readily admit that I would not have ventured to anticipate such increases as these, or to have come down to this House with an estimate calling upon them to vote money calculated upon such an increase. With regard to the savings upon expenditure, it will be found that, as usual, the principal saving is under the head of Public Works. There is always great difficulty in estimating, with anything like exactness, the amount that can be expended in a year, and I have no doubt that my honourable colleague, the Minister of Public Works, will endorse the statement made a few weeks ago by the same distinguished statesman to whom I have before referred, on this point. When accounting for deficiency of expenditure, he said, "it was chiefly due to buildings the expenditure on which is necessarily very uncertain. A number of things prevent us going on with buildings as fast as we expect, all sorts of obstacles must arise." The charges on revenue were \$165,000 less than the estimate, and the Militia expenditure, \$160,000. I need not go further into the minor items, as they will all be found in detail in the public accounts. I now come to the consideration of the revenue for the current year, and it is satisfactory to be able to state that notwithstanding the reductions of last year, which we may assume at about \$800,000, the revenue will be in excess of the last, even making allowance for British Columbia. I estimated the Customs revenue at ten millions, which I considered at the time a very full estimate. It will reach \$12,500,000. When I state that, notwithstanding the great increase of 1871 over 1870, the increase in 1872 will be \$220,000 in woollens, \$130,000 in cotton, \$25,000 in wines, \$75,000 in spirits, it may be expected that when British Columbia is added, that we have made a safe calculation. The Inland Revenue will give \$250,000 above the estimate; the Public Works, \$200,000; Post Office, \$80,000; Stamps, \$40,000; Miscellaneous, \$150,000; or in round numbers, \$3,240,000 above the estimate; giving an aggregate revenue for the current year of \$20,050,000 (hear, hear.) It is satisfactory to say that not only in the Customs and Excise, but in all branches there has been an increase. In the statement which was submitted to the House of the expenditure up to the latest moment for which the return could be made, the 31st March last, it will be found that there was an expenditure up to that time of \$11,620,695. The estimated expenditure to the close of the year is not likely to exceed \$4,874,838, giving \$16,495,533 for the whole year. To this must be added the supplementary estimate for

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the current year which I have laid on the table, which will amount to \$438,999, chargeable against Revenue, and \$250,000 for the Pacific Survey. I may observe that of the charges against revenue in the statement sent down, the principal items are \$35,000 for Indian annuities under recent treaties; \$50,000 for losses in Manitoba; \$70,000 for Surveys, and \$35,000 for the Manitoba Expeditionary Force. The aggregate expenditure for the current year is not likely to exceed \$17,040,604, and I therefore venture to anticipate a surplus for the present year of, \$3,115,467 (cheers.)

I now approach the consideration of the year which is to come, and can only say that in framing my estimates I have taken all the care in my power to arrive at correct conclusions. I need scarcely say I have consulted my colleagues the Ministers of Customs and Inland Revenue, who are at the head of the departments which furnish the bulk of the revenue. I feel I am justified in estimating Customs at \$12,500,000, Inland Revenue at \$4,625,000, Stamps at \$200,000, Post Office \$700,000, Railroads, Telegraph lines, and Manitoba road \$1,030,000, Canals and other works \$580,000, Miscellaneous \$1,000,000, giving an aggregate revenue of \$20,630,000. I shall refer very briefly to the Estimates. The aggregate amount is \$29,675,460, but from this must be deducted the amount required to meet reduction of debt, \$92,234, and expenditure on proposed public works, amounting in the aggregate to \$10,042,734, leaving estimates chargeable against Consolidated Revenue Fund 19,632,726 dollars. I might, therefore, fairly contemplate a surplus next year of about one million, were it not that my experience leads me to anticipate supplementary estimates, which I hope, however, will not be excessive. I do not intend to comment at any length on the Estimates. I feel assured they will be scrutinized with great care by gentlemen opposite. I do not wish to enter into details with respect to items, because my hon. friends at the heads of departments, who have brought forward estimates and are more particularly responsible for them, will be prepared to vindicate them better than I can do; but at the same time I would remind the House that for many years, when the revenue was scarcely sufficient to meet the expenditure absolutely necessary, a great part of the public service was literally starved. It is now a fitting time when our finances are in a more prosperous condition, to come forward to erect those necessary public buildings which in various parts of the Dominion are absolutely essential (hear.) The Public Works estimate may appear large by comparison of the aggregate amount with former years, and it may be admitted that if any difficulty should arise many buildings and works might be postponed, but I hope and believe that the House will concur with the Government in thinking that when the revenue is sufficient to meet the charges upon it, they ought to seize the opportunity of erecting buildings very much required for the public service. There is another point to which I wish to refer. In the estimate for Public Works, are included a number of items which, though charged against the current revenue of the year, will produce an income and entail no burden on the country, such as harbours and other works. The lighthouse service is no doubt a heavy charge, but it must be borne in mind, that every individual in the country is interested in this service by which the navigation is improved. We are competing for the trade of the Great West, and cannot succeed if we neglect what is essential to success. The Gulf and River St. Lawrence has had a bad name in days gone by.

Insurance rates were high, and freights, of course, high in proportion. My hon. colleague the Minister of Fisheries, is thoroughly alive to the wants of the trade, and I can state from my own knowledge that several of his proposed works would have been in former estimates, but that we did not think it right to increase that branch of the expenditure too much. The Minister of Agriculture has also made large demands, but I believe there is no expenditure more likely to be reproductive than that which is incurred for the promotion of immigration. My hon. friend has entered into his work with zeal and energy, and he will be able no doubt to account for the expenditure in a manner satisfactory to the House (cheers.) I feel that I would not discharge my duty on the present occasion if I were to abstain altogether from entering into the subject of the very large prospective demand for Public Works, and its bearing on the public revenue and expenditure. It would be a dereliction of duty in a Minister of Finance to abstain from all reference to a contemplated expenditure of no less than forty million dollars, involving an addition of fifty per cent to our debt. I own, however, that I approach this subject with some hesitation and reluctance, owing to my unwillingness to make any reference in a financial statement to a question of the gravest political importance, which has not yet been discussed in the House. I refer of course to the Treaty of Washington, but especially to the arrangement made with the Imperial Government for an Imperial guarantee for a portion of our anticipated loan. I shall endeavour as far as possible to avoid discussing those branches of the question which have no bearing on Finance, but I cannot, entertaining the views which I do, avoid submitting them for the candid consideration of the House on this occasion. It is now apparent to the House and the public, that the Imperial and Canadian Governments were not for many months in a state of accord on the subject of the Treaty of Washington. I have no doubt that we on this side have been charged in England with great selfishness, with utter disregard of any interest but our own, while on the other hand, we have been inclined to think the Imperial Government and the people of England generally have shewn little zeal in the defence of our rights. I have always thought it exceedingly unfortunate that our fishery disputes were mixed up with the settlement of important Imperial questions, which were the principal object of the Washington Treaty (cheers.) I am bound to say that I, with others, felt deep regret when the First Minister was invited to sit on the Commission at Washington. But whilst feeling that regret I had no doubt whatever that it was absolutely impossible for him, in the interests of the country to take any other course than to accept that position. A refusal to serve would have been taking grave responsibility to while in accepting the position he ran the risk of giving dissatisfaction to many of his countrymen. I shall not dwell on this branch of the question. I want to approach the financial branch of it. We are charged day after day with selling our rights for a mess of pottage (cheers from the opposition) and no efforts have been spared to depreciate the value of the concession which has been made to us. It ought not to be lost sight of that England had a very considerable interest in the settlement of this dispute about the fisheries and it is a mistake to suppose it is exclusively a Canadian question. What would our fisheries be worth without the protection of

England, and we know perfectly well that England had to employ a very considerable force year after year for their protection and further that there has been constant danger of collisions that might have led to very serious consequences. It is also well known that trespassers on our fishing grounds have been taught by men of considerable political influence that they have a perfect right to fish in our waters and that they ought to enforce this right in any way possible. We cannot pretend to maintain that England exceeded her strictly constitutional powers. She made a treaty which required the ratification of Canada in all points which affected Canadian interests and this Parliament is free to accept or reject the arrangement which has been entered into. What, however, should be constantly borne in mind is that by rejecting the treaty Canada would have placed herself in antagonism not to members of the present Government alone, but to all leading statesmen in England. Prior to the question of consequential damages arising, all parties in England had accepted the treaty with satisfaction. Had we refused to recommend the necessary legislation what would have been our position? We should have placed ourselves in the position of refusing to accept an arrangement which England considered just, and we should have thereby increased the irritation which has long existed amongst the fishermen of the United States. Under such circumstances; is it certain that English public opinion would have sanctioned further protection of our fisheries? and had England declined to send a naval force, would not there be increased aggressions by United States fishermen? Can it be possible that the opponents of the Treaty have considered the possible consequences of a refusal to carry it out, especially as its most prominent opponents are loud in their professions of attachment to British connection. I own that from the time that the treaty was ratified I felt that Canada was subjected to a pressure, which I deplored, but from which there was no escape. It was, in the judgment of the Government most desirable to avoid any misunderstanding with England, but at the same time to state frankly and boldly our grounds of complaint. We have been told of late that no question of money should have been introduced into the discussion. I am at a loss to know how the Fenian claims could have been settled without pecuniary compensation in some way direct or indirect (hear). But it is now said that an Imperial guarantee is of little value. The idea of asking money as a bribe was never thought of, but there was a claim on some one for Fenian losses and the Imperial Government recognized the fact that they had incurred a responsibility to Canada on that account. True, the admission was very guarded, and it is very doubtful whether any amount worth consideration could have been obtained. At all events the Dominion Government had not was the slightest doubt that the best mode of settling these claims by guarantee, and they deemed it expedient to announce their intention of proposing the measures necessary to give effect to the treaty concurrently with the proposal for a guarantee. Now it is with reference to the value of the guarantee not only in itself, but also as a means of securing the construction of our great public works, that I desire to speak. I wish, in the first place, to endeavor to remove the misapprehension that prevails very generally as to the reduction of the amount proposed by us. Justice has not been done to England, simply because circumstances wholly unforeseen prevented an arrangement that would have been quite satisfactory.

It is possible that some may have thought that we would get the four millions without any difficulty. For my own part I never imagined we would get a guarantee of four millions in addition to the fortification guarantee. I knew that one member of the Imperial Parliament had given it as his opinion that the fortification guarantee would, if Canada desired it, be transferred to Public Works. I do not know what others may have thought, some of my colleagues may have thought that we would get the four millions and the fortification loan also, and my hon. friend, the Secretary of State for the Provinces, no doubt imagined that we should get nothing at all. His dissatisfaction was very great, and I own that I would have felt a great deal more dissatisfaction than I ever have done, if I had imagined it possible that the proposition we made would have received an unfavourable reply. Under the circumstances, we have no right to complain of the reply, no right whatever. With reference to the question of fortifications I may observe, and I say it, because I know there are some that even yet suppose it would be desirable to erect fortifications, that it makes no difference whatever whether the money is for public works or for fortifications. If the causes of misunderstanding between Great Britain and the United States should happily be removed, as we all hope they will be, there would be grave objections to the erection of fortifications, just after the establishment of friendly relations. If at any future time fortifications should be required, they would have to be built with our own means (hear, hear.) I have said that while the negotiations were going on, circumstances occurred that rendered it simply impossible that either on the one side or the other, the question of fortifications should be touched. I believe that all parties in this House, as well as throughout this Dominion, when this extraordinary demand for consequential damages arose, sympathised entirely with Great Britain (hear, hear.) Well sir, as I am very sanguine, and every day makes me more sanguine, that the clouds by which the horizon has been overcast are disappearing, and that all the difficulty which has unfortunately existed will disappear, I have no doubt whatever that we shall eventually get the full amount we desire. Now, sir, I come to the question of the value of this guarantee, and my own opinions differ most widely from any that I have seen in the public newspapers which ordinarily support the present Government. I wish to give expression to my own convictions, and, I say, without hesitation that I do not believe there is a loan contractor in Europe or America who would not say that the view I take is correct. Sir, I say it is a complete fallacy to imagine that because at the present time our five per cent debentures and stock are at par, and occasionally over par, when we have had no issue of those debentures for some years, and we ourselves have been large customers in the market, buying them up for the sinking fund, that if we put \$40,000,000, 50 per cent of our debt into the market we could obtain that amount at 5 per cent. We could not do it, and I say unhesitatingly that if we attempted to float a loan to that extent, we should do uncommonly well if we obtained it at six per cent. I ask what would be the state of English credit, great as it is, if Great Britain asked a loan of something like £400,000,000 sterling, or half her present debt? Hon. gentlemen on the other side must recollect that the customers for Canadian securities are a very limited class, and a very different class from those for English securities or United States securities, or the securities of

the Great European States. But if we went into the market for \$40,000,000, one half our own, and the other half guaranteed by England, and with the prestige that England sanctioned our great public improvements, the advantage would be very great, so much so that I am persuaded that under those circumstances we should get our 5 per cent bonds floated at par, and therefore we should be able to float half at 4 per cent, and the other half at 5 per cent, or equal to $4\frac{1}{2}$ per cent on the whole amount. This would therefore make a difference of $1\frac{1}{2}$ per cent on the whole amount of \$40,000,000 equal to \$600,000 a year. I ask whether that is not a desirable arrangement, and whether it is not infinitely better than negotiating a Bill for Fenian claims; and encountering the danger of irritation on both sides, which must arise in the settlement of disputed claims. Well, sir, I admit that exception may be taken to this calculation on the ground that I base my statement on getting £4,000,000, but though my own opinion is strong on that point, I maintain that even with the £2,500,000 we have made an infinitely better arrangement than we could have done in any other way. According to my calculations I estimate that the total charge incurred as interest on the new debt necessary to construct our great public works, including $\frac{1}{2}$ per cent for sinking fund, will be two million dollars. I must not lose sight of the fact, however that the first estimate for the Pacific Railway was \$25,000,000, which was a mere approximate estimate based on an assumed mileage, and that it may have to be increased to \$30,000,000, and taking that increase and the balance of the Intercolonial Loan and other items into consideration, it is safe to calculate that the whole amount of contemplated expenditure will give an increased charge of three million dollars. It must, however, be borne in mind that the great improvements of the public works and canals would considerably increase the revenue from those sources. In undertaking works of such considerable magnitude, it is important to see what is the state of the increase of the commerce of the country. Now, sir, that increase is really wonderful. In 1869 our total exports were \$49,320,000, while in 1871 they were \$55,151,000. The aggregate of exports and imports in 1869 was \$116,725,000, in 1871 \$142,098,000, or an increase of nearly 22 per cent. And when we come to the details of the exports, we find them most satisfactory. The produce of the mines has increased from \$2,093,000 to \$3,221,000; of fish, from \$3,242,000 to \$3,994,000; of produce of the Forest, from \$19,838,000 to \$22,352,000; of animals and their products, from \$8,769,000 to \$12,582,000, the latter chiefly owing to an enormous increase of exports of butter and cheese. There was a falling off in the exports of agricultural products to the extent of nearly four millions as compared with 1870, and nearly two and a half millions as compared with 1869. This no doubt was to some extent caused by the wheat and flour duties, as while American flour was admitted into Canada free, it was largely consumed in Canada; thus setting a corresponding portion of Canadian flour free to be exported, but when a duty was imposed, the Canadian flour was more largely consumed at home. Then the great increase in the produce of the forests from 19 to 22 millions must be borne in mind, for those branches of industry were very large consumers indeed of the products of the country, and so would tend to diminish the exports. The enormous increase in the exports of butter and cheese seems to indicate that the farmers are turning their attention more to dairy farming

than to raising wheat. In offering an opinion however, on such subjects, I do it with the greatest possible diffidence, and rather with a view to elicit information from those much better informed than I can pretend to be. It is very satisfactory to know that the exports of our manufactures are increasing,—in two years there has been an increase of 25 per cent. A large proportion of the increase consists of sugar boxes which are exported to the West Indies. There is also another article which has made most wonderful progress during the last two years, I refer to sewing machines. Of these the value of exports were \$170,000 in 1871; \$116,000 in 1870; and only \$60,000 in 1869. There was therefore an enormous increase in the two years. There is but one other branch of our export trade to which I shall refer, those articles which are not the produce of the Dominion. These have increased from \$3,855,000 in 1869 to \$9,853,005 in 1871. This is a most important fact, proving as it does the rapid increase of the carrying trade of the St. Lawrence.

Hon. Mr. MACKENZIE.—What are the most important items of the increase:

Hon. Sir FRANCIS HINCKS.—I have not charged my memory with these items, but I imagine that iron was one very important item, railway iron, I should say. After the statements which I have made with respect to the charges that may be anticipated upon the revenue, for public works, in the course of my explanation, I think that all must admit that it would be very dangerous to reduce the taxation, and we have no measures in this direction to propose, excepting a proposition to be made by the Hon. Minister of Agriculture to take off the capitation tax. This had amounted to under \$40,000 last year, and I have made allowance for it in my miscellaneous estimate. I am very far from saying that the tariff is a perfect one or that changes might not be made in it with advantage to the mercantile community, but I think that the present would be a most inconvenient time to touch it. You must recollect that the Congress of the United States is in the act of considering changes in their tariff, and severe losses have been sustained by persons in trade owing to the fact of their not knowing of the changes likely to be made. I am told that the tea duties are to be repealed, but I really do not know what to expect. Already the Senate and the House of Representatives have passed bills to exempt tea from all duty. Notwithstanding this it is still doubtful whether any Bill regarding the tariff will pass this Session. I do not hesitate, however, to state that if the duties on tea are taken off in the United States, we must make some re-adjustment of our tariff, and in the face of the free importation of tea from the United States, we should have to abandon a revenue of something like a million, which we now derive from this source. Under these circumstances we have thought it better not to meddle with the tariff now, although there are several ameliorations in the interest of our manufacturers that should be taken into consideration as early as possible. Last year I took occasion to inform this House that Canada had risen in the scale of countries having commercial transactions with Great Britain from the eleventh to the eighth place, and it now is satisfactory to state that she has arrived at the sixth place (hear, hear), and that with the exception of the Netherlands, there is no country which takes so much of English goods, in proportion to her population, as Canada. With regard to the Netherlands I have been told that a considerable amount of her imports are re-exported.

But if we look to other countries in the highest rank we shall find that Canada takes three times as much per capita as the United States, four times as much as Germany, five times as much as France, twenty times as much as British India, while China and Russia, although the quantities are large, are quite insignificant looking to their population. Now, Sir, I hold that looking at the prosperity of this country, and the vast increase which has taken place in commerce since the Confederation, as indicated by the deposits in the savings banks, the increase in railways, etc., it seems to me amazing that there should be a single individual who would desire to change the condition of the country. This is a subject which may be considered as irrelevant to a financial statement, and I should not have alluded to it were it not a fact that most of those persons who are dissatisfied with the institutions of our country are so from dissatisfaction at our not having the power to make commercial treaties. I know that the great bulk of them are extreme protectionists, and the object which they have in view is to endeavour to place our trade relations upon a different basis; which it would be impossible to do so long as we continue our present relations towards the Crown. There is an idea that if we were independent we might enter into more intimate trade relations with the United States, agree to a Zollverein, by which the goods of each country should be protected by a high tariff on foreign goods, and the complaint is that while we continue in connection with England, we have no power to make Treaties with foreign powers. All I can say is that we have the power to get every reasonable request that we can make urged with all the power of England; and I need hardly say that that would give us far greater power than we would have if we were independent. We could not expect that England would consent to a tariff that would put the manufacturers of England in a worse position in our market than the manufacturers of the United States, and the knowledge of this fact has led some extreme protectionists to desire independence as the only means of accomplishing their object. It seems strange, however, that it has not occurred to those persons that under the commercial treaty in existence between England and the United States and which provides that the manufactures of England shall be admitted to the United States on the same terms as those of the most favored nations, it would be impossible for the United States to enter into such an arrangement with an independent State, and if this country were independent it would be necessary for her to enter into a commercial treaty with Great Britain which would contain a similar clause. The object then of the advocates of independence is unattainable by the means which they contemplate, and few of them, I hope, are inclined to recommend annexation, any agitation for which would, in my humble judgment, be neither more nor less than an agitation for a civil war. I have now, Sir, completed my task, and I have to thank the House for the attention with which they have listened to me. (Loud cheers.)

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