

BIBLIOTHEQUE

— DE —

M. l'abbé VERREAU

N^o.....

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LETTERS,

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ADDRESSED TO THE INHABITANTS

OF THE

NIAGARA DISTRICT.

ON FREE TRADE, &c.

~~~~~  
BY W. HAMILTON MERRITT, Esq. M. P.  
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NIAGARA :

PRINTED BY JOHN SIMPSON.

1847.

TO THE EDITOR

OF THE

NIAGARA CHRONICLE.

St. Catharines, April, 1847.

SIR :—

THE REPORT of the Agricultural Meeting in this District first appeared in your journal in November last, in which an entire change in our *Commercial Policy* was urged with a view of placing the Agricultural on an equal footing with any other existing interest in Canada, as well as on an equal footing with the Agriculturist in the Western States. It also recommended the adoption of such measures as would attain the following objects :—

First—The free admission of all the Products of Canada into the Markets of Britain.

Second—The free admission of all the Products of Canada into the Markets of the United States

Third—The equalization of our internal or direct Taxes, and

Fourth—The removal of all duties on imports as soon as practicable.

Each of these separate and distinct measures have been before the public for some months, they have been alluded to in general terms by different Editors, but not a single reason or argument has yet been advanced against either.

The attainment of the objects advocated in that report are, in my judgment, essential to the preservation of this Province as a Colony for Great Britain, as well as to the prosperity of its inhabitants. It is, therefore,

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my intention, after shewing that a necessity for the proposed change exists, to assign reasons in support of those ~~measures~~. In the meantime, I will thank you to publish the enclosed Tables, forming the basis on which the argument will be sustained ; ~~it is therefore necessary they should first be placed before the public.~~

The First Table gives the comparative amount of *direct Taxes* paid by the inhabitants of the District of Niagara in Canada, and the inhabitants of the County Niagara, in the State of New York.

If it be true that the direct Taxes are at this moment higher here than there, notwithstanding the payment of Custom duties, and that the inhabitants there pay no Custom duty for the support of their State Government, it is fair to assume that *Custom duties can be dispensed with here without increasing the direct Taxes.*

The Second gives the amount of Duties on imports, and shows that taxes on articles of necessity are higher here than there, ~~the inevitable conclusion from which is~~ that the farmer in the Western States is placed in a better position, both as regards Taxes and duties on imports, than the farmer in Canada.

The Third gives the amount of revenues from imports.

Fourth, the costs of collecting the same.

Fifth, the objects for which this revenue is expended.

Sixth, amount of Internal Revenue.

Seventh, the sources from which the amount of revenue from duties on Customs can be supplied.

I have the honor to be Sir,

Your ob't serv't

Wm. HAMILTON MERRITT.

TO THE INHABITANTS
OF THE
DISTRICT OF NIAGARA.

GENTLEMEN :—

A. K. BOOMER, Esquire, the Secretary of the Agricultural Society has kindly permitted me to publish the following documents.

On the 21st October, 1846, *W. G. Edmundson, Esquire, Secretary of the Provincial Agricultural Society*, addressed a Circular to the different *District Agricultural Societies*, containing the following extract :—

“ As it is important, from the recent changes in the Commercial Policy of Great Britain, to place the Agriculturist in Canada, in as advantageous a position as the Agriculturist in the United States, you will enquire and collect from official public documents, in the nearest County adjoining your vicinity, the amount of local and state direct Taxes, as well as the amount paid by duties on imports or from any other source, and compare the same with the amount paid in your District, that they may be contrasted, and our relative position fairly and fully understood.”

On the 11th December, the following letter was addressed to Judge Hotchkiss, of Lewiston :—

“SIR :—Having received the within Circular (alluding to the above extract) from the Sec. and Tres. of the Prov. Ag. Soc., may I request you to furnish me with any *public documents*, published in your County, containing the information required. Your ob’t Serv’t, A. K. BOOMER, Sec. to the Nia. District Ag. Society;”

To which the following reply was received :—

“*Lewiston, County of Niagara, State of N. Y.*

“A. K. BOOMER, Esq.

SIR :—Yours of the 11th Inst. was received this day. In reply I enclose you the only Public Documents I can at present obtain. *The first* is the Comptroller’s Report of the State of New York, for 1844, in which you will find in Table 9, the amount of Taxes collected in this County for the preceding year 1843, as follows :—

Amount of State Tax,	-	-	\$4,926 88	
” County do.	-	-	15,729 78	—20,656 66
” Town do.	-	-	8,888 15	
Aggregate of State, Town, and County Tax,				\$29,544 18

The second contains the items of the expenditure, audited by the Supervisors of the County.

The third, items of Town expenditure, examined by the Auditors of the Town, and expended by the Town Clerk, \$529 00.

The fourth, items of the amount expended by the Superintendent of Common Schools, in the payment of Teachers, and one-fifth on the establishment of Town Libraries—in all \$815 80.

Exceeding the amount paid by the twelve Townships which compose the County, which to make up the amount stated in the Comptroller’s Report of \$8,888 15* would average \$740 68 to make up the exact amount, the items from each separate Town should be produced, but this I apprehend is sufficient to give a clear view of the total amount of the Taxes paid by this County.

Your ob’t Serv’t,

WILLIAM HOTCHKISS.”

*It is unnecessary to give the items of expenditure for Towns which make up the aggregate of \$8,888 15 as alluded to in Mr. Hotchkiss’s letter.

STATEMENT of the Items of Expenditure for County State Tax of one
Mill to the Dollar upon \$4,926,885.

The amount of Assessment of real and personal property of the County,	\$4,926 88
<i>Claimant—Nature of claim—Am't claimed—Am't allowed.</i>	
Names of Claimants, different services, for the support of the Poor,	\$3,362 00
For Patients in the Asylum and Insti- tute for the Blind,	858 00—4,220 00
For expenses of Court House and Payment of the Officers of Courts of Justice,	9,506 11
For support of Schools and other Services,	1,051 46
For bounties for Wolves, Collectors' fees, and other Miscellaneous Items,	952 21—15,729 78
Total amount of County Charges,	\$20,656 66

The foregoing is a correct list of the accounts audited, and allowed
by the Board of Supervisors of the County of Niagara for the year 1843,
together with the amount claimed by each individual, and the equalization
of the assessment rolls by said Board.

V. SPAULDING, Clerk,
Board Supervisors, Nia. Co.

Lockport, 11th Dec., 1843."

The official yearly Returns of the amount of Taxes collected by the Inspector and the Clerk of the Peace, will be found on the Journals, from which we find the following comparative statement :—

TABLE No. 1.

AMOUNT OF LOCAL TAXES COLLECTED IN 1843,

<i>In the County of Niagara, State of New York.</i>		<i>In the District of Niagara, Province of Canada.</i>	
State Tax, See Comptroller's Report,		Provincial Tax, See public accounts in Journal same year,	
Return of County expenses same year, \$4926 88, or	£1231 14 5	Merchant Shops, -	£422 10 0
Excess against the resident in Canada,	1310 10 7	Inns and Taverns, -	1702 10 0
		Still, -	172 10 0
		Beer Houses, -	104 15 0
		Pedlars' Licenses, -	140 0 0
<i>for Prov. Tax.</i>	£2542 5 0		£2542 5 0
County Tax \$15,729 78 or	£3932 8 10	District Tax, -	£7305 13 2
Town Tax 8888 15 or 2222 0 9		See return of Clerk of the Peace in Journals Dec. 5th, 1843.	
See return of Supervision.			
Less this balance,	1151 3 7		
<i>for District Tax.</i>	£7305 13 2		£7305 13 2
<i>Total excess against Canada</i>		<i>£2461-14-2</i>	
IN 1844.			
State Tax, -	£1231 14 5	Provincial Tax,	£1889 6 0
County & Town Tax,	6129 9 7	District do.	7977 11 0½
Bal. against Canada,	2505 13 0½		
	£9866 17 0½		£9866 17 0½
IN 1845.			
State Tax, -	£1364 3 9	Provincial Tax,	£1685 10 9
County & Town Tax,	6287 15 5	District Tax,	7119 11 4½
	7651 19 2		
Bal. against Canada,	1153 2 11½		
	£8805 2 1½		£8805 2 1½

IN 1846.

State Tax, reduced,	£738 15 0	Prov. Tax,	{ No returns—the appen-
County and Town in-			dix of the Journal for
creased,	7122 0 0	Dist. Tax,	{ this year not received.
			Militia Tax on Quakers, Menonists
			and Tunkers.
	£7860 15 0	Marriage Licenses.	

The population in the County of	The population in the District of
Niagara,	Niagara,
In 1840 was	In 1840,
1845	1844, latest return,
Assessed value of Pro-	Assessed value of Pro-
perty in 1844, \$4,926,-	perty in 1844, £617,035 1 4
885 or £1,231,721 5 0	

TABLE No 2.

COMPARATIVE AMOUNT of IMPORT or CUSTOMS DUTIES paid by the
Inhabitants of

The Western States of America.		And Canada.		
ARTICLES.		ARTICLES.	Impl. duty.	Prov. duty.
Tea,	Free.	Tea,	1	1
Green Coffee,	"	Green Coffee,	5s cw	1
Ground do.	"	Ground do.	5s "	4
*Salt, manuft'd in Western N. Y.		Salt,	2s 6d	
American Manufactures,	"	American Manufact'rs,	7	5
				12 pr cent

*There is a duty of 20 per cent. on Foreign Salt imported into the United States, and no duty when imported by sea into Canada—the operation of which is to relieve the people of Lower Canada and the Western States from this duty as the article is manufactured at Salina, although it subjects the U. C. Farmer to the amount above quoted.

NUMBER 3.

STATEMENT of the Amount collected in Canada from Duties on Imports in 1845.

Gross Amount of Collections, page 6 Public Acc'ts,	£449,960	1	7½
Amount from Sea, Quebec and Montreal, Net,	£287,162	13	3
Lower Canada, Port of St. Johns,	£40,015	3	9
Do. From 16 other Ports,	7,725	6	5½—
Upper Canada, Hamilton, Toronto and Kingston,	61,481	0	0
Do. 39 other Ports,	31,104	15	6—
	£427,488	18	11½
Various deductions,	8,487	11	2½
Net revenue, page 7 Public Acc'ts,	£419,001	7	8½

Received in 4 Island Ports £101,496-3-4
Remaining 55 Ports 32.330-1-1

NUMBER 4.

EXPENSES OF MANAGEMENT.

For particulars of Salaries and other Expenses of Collection see page 60 Pub. Ac'ts.	£30,997	17	1½
Grant in building Custom House, Toronto, page 33,			
Grant £2500, expended	£1161	0	0
Page 15 shews amount seizures,	2649	0	0
" 63 paid Henderson & Kirby,	67	18	7—
	£34,875	15	8½

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NUMBER 5.

EXPENDITURE OF THE PROVINCIAL GOVERNMENT.

Having no official Return of the amount of the expenditure of the Provincial Government for 1845, I am compelled to fall back to the expenditure of 1844.

1st Interest of Public Debt,	-	-	£123,641	12	8½
2 Expenditure of the Civil Government,	-	-	28,331	5	4
3 Administration of Justice,	-	-	56,561	18	4
4 Provincial Penitentiary,	-	-	10,901	8	5
5 Legislature,	-	-	25,596	0	2
6 Education,	-	-	66,349	17	7
7 Agricultural Societies,	-	-	3,349	15	6
8 Hospitals and Public Institutions,	-	-	7,983	12	1
9 Public Works and Surveys,	-	-	7,043	13	8
10 Militia,	-	-	2,004	1	8
11 Light Houses,	-	-	5,160	0	11
12 Emigration,	-	-	5,240	9	8
13 Pensions,	-	-	12,354	0	7
14 *Miscellaneous,	-	-	27,162	16	0

£381,680 12 7½

*Under this head will be found

Census for Lower Canada,	-	-	£4594	17	8
Registration,	-	-	1679	18	9
Assessment of Property,	-	-	963	0	0
Removal of Seat of Government,	-	-	14746	6	6
Printing,	-	-	1987	10	0
Other Items,	-	-	3191	1	9

£27162 15 8

NUMBER 6.

INTERNAL REVENUE OF THE PROVINCE OF CANADA.

Amount of the Provl Tax, collected in the different Districts from Shop and Tavern Licences, and other

Sources, see Pub. Ac't No. 4,	-	-	£34,370	5	0
Bank Tax on Amount of Issues,	-	-	10,492	15	5
Casual Revenues, Fines, &c.,	-	-	5,094	2	11½

£49,957 3 4½

NUMBER 7.

Amount of the Expenditure, Deductions, and means of supplying the Deficiency of Revenue now received from Customs.

The amount of the present Expenditure of the Provincial Government as shown from Table No. 5, £382,181 12 7½

Proposed reductions from the above amount, Civil Government,	£8,331	5	4	
Public Works and Surveys,	7,043	13	8	
Emigration,	5,240	9	8	
Miscellaneous,	20,000	0	0	40,615 8 8

To be provided for out of the following - - £341,566 3 11½

Funds.—Interest on Pub. Debt, £123,641 12 8½
Maintenance of Light Houses, 5,160 0 11

To be transferred to Public Works £128,801 13 7½

Administration of Justice, - 44,061 18 4

To be transf'd to the fund to be created from Fees paid by litigants.

Education, - 66,349 17 7

To be transferred to a fund to be created from sales of Public Lands

*Agricultural Societies, - 3,349 15 6

*Hospitals and Public Institutions, 7,983 12 1—250,546 17 1½

*To be provided for by the different Town Corporations and Districts where situated or found.

Balance to be provided for, - - £91,019 6 10

Civil Government	£20,000
Administration of Justice,	12,500
Provincial Penitentiary,	10,000
Legislature,	25,000
Militia,	2,004
Pensions,	12,354
Miscellaneous,	18,142

£100,000 £100,000 0 0

The above to be provided for from our internal resources.

The foregoing Tables have been carefully compiled from official public documents.

NO. ONE.

Proves, That the Provincial and District Taxes in Niagara, Canada, exceed the State, County and Town Taxes in Niagara in the United States. Those are the only official returns published in Canada from which a comparison can be made.

NO. TWO.

Proves, That the Customs on Import Duties on those Articles most in general use, are much higher in Canada than in the Western States of America.

NO. THREE.

Shews the relative Amounts of Revenue collected from Sea and Inland Ports, the relative proportion paid therein by the inhabitants residing in Upper and Lower Canada, and the amounts collected at the different Ports, which with

NO. FOUR.

Proves, The amount and proportion of the costs of collecting this Revenue.

NO. FIVE.

Shews, The aggregate Expenditure of the Provincial Government for 1844, as well as the different objects for which it is applied, and

NO. SIX.

Shews, The amount of the Provincial Tax collected from the different Districts, and the sources from whence received.

NO. SEVEN.

Shews, The amount of reductions, on different branches, and the sources from which the amount of Revenue now received from Duties on Customs can be supplied. The amount of these resources are shown from Table No. 6 to be

	£50,000
The Revenue from Crown Timber,	50,000
	£100,000

These Tables and figures speak for themselves; they show the amount of Taxes now paid by the Inhabitants of Upper Canada, from what sources derived, and for what purposes expended. They are designed to prove, that the Revenue now received from the Taxes on Consumption can be wholly dispensed with, without increasing the internal or direct Taxes now paid, and without impairing the usefulness or efficiency of the Government. They would require no further comment, if the Inhabitants, generally, had access to the public accounts, and understood the resources at their command; but as this information has been virtually withheld, it is necessary to enter into more full explanations, therefore a separate communication will be made on each subject.

Your Ob't Serv't,

WM. HAMILTON MERRITT.

LETTER NO. II.

GENTLEMEN :—

The first inquiries which would naturally arise, when any material change is meditated affecting the Fiscal Policy of a Government, are, whether any *necessity* exists for that change, and in what manner the Inhabitants would be more essentially benefitted. The object of these communications, therefore, is to shew that the measures proposed in the Report of the Agriculturists of this District, in November last, are *sound, just, practicable, and absolutely necessary*.

The first measure proposed was to obtain the *free admission* of the *Products of Canada* into the markets of *Great Britain*.

It is alleged in a paper called a *Free Trade journal*, edited by certain Merchants in Montreal, that no necessity exists for this application, *because* all duties on Canadian products in England are already removed. If this be true, it is a proof of great remissness, or extreme ignorance on the part of the late Provincial Legislature, which addressed the Imperial Government for their removal, as well as of that Government which refused the application—also, Sir Robert Peel, who, in the discussion which took place on the recent British Possessions Act, expressed his regret that Lord John Russell had not repealed all existing differential duties on Canadian products. If this duty continued only on *one* article, it should be removed. A Colony cannot form an integral part of an Empire so long as duties exist on the exchange of articles in any portion of that Empire. This principle should be adhered to. If so, as it is *sound, just and necessary*, it will be carried into operation.

The *Second Measure* was, the free admission of the *Products of Canada* into the markets of the *United States*.

The only reason assigned against this measure was, “it cannot succeed, *therefore* it is useless to urge it.” A misapprehension also exists on this point. Although the policy of the American Government continues to be protective, it is no reason why it would object to the admission of Canadian products. Those products consist only of Grain and Lumber, and cannot interfere with any manufacturing or other existing interests. It aims at

guarding against the admission of similar articles manufactured in Europe or other countries beyond sea. *We* have no interest, nor desire it should lessen the duties on those articles : our interests are confined to the productive growth of Canada alone ; and it can be shown clearly and satisfactorily, that it would be conducive to the interests of the United States to admit them, inasmuch as it would give that country a Revenue from Tolls, Profits on Transportation, Commissions, and all the additional advantages incident to a transit trade.

But higher motives than mere temporary interests, I am convinced, will actuate its Counsels. An example has been set, and the Statesmen of the neighboring Republic cannot but feel, that, as an act of justice, it is their duty to recommend to the Government the adoption of that example.

The Government of Great Britain has, with a degree of magnanimity heretofore unprecedented, removed the duties on those very articles without exacting reciprocity from other Nations. The Agriculturist in the United States reaps the full benefit of the markets of Great Britain, and virtually of Canada. On this ground alone, therefore, I feel assured, the example of Britain would be followed. If, however, every motive of interest, generosity, and justice fail, there yet remains a *dernier resort*. Great Britain has the power to compel that Country to remove those duties, or to impose similar ones on their productions. If this measure be neglected, the first unproductive harvest on this, or a productive one on the other side of the Atlantic, will cause higher prices in America than in Europe, which will originate a dissatisfaction here it is far from desirable should have birth.

The *Third Measure*, was the *Equalization of Taxes*.—The subject of Taxation in Canada is understood by few. In Lower Canada the inhabitants are not subject to any direct Taxes, whereas in Upper Canada they are taxed higher than in the Western States of America, and the Agriculturist bears the principal burden of them. In the United States Taxes are imposed on Capital by a percentage on the amount ; *here* on Lands, Cattle, Improvements, and other specific Articles, the percentage on which is about one and one-fifth ; *there*, six mills—less than one half—the effect of which bears unequally on certain articles ; for instance, a cow is valued *here* at £3, which at 1 1-5 per cent. amounts to 8*d.* ; *there* ½ per cent. would be less than 4*d.* Taxes are required to protect property, and property should be taxed in proportion to the amount thus protected, upon the same principle as by Insurance. If this property be invested in Stocks, Bonds, or any other description of capital, why should it not contribute to the payment of Taxes, in the same proportion as if invested in Lands, Horses, Oxen or Houses ? This is the object contemplated in the Report when understood. It will also be found just and necessary.

The *Fourth Measure* was the removal of *Import Duties*.—The most sweeping denunciations have been urged against this measure, to which it

would be folly to reply. As no argument or reason has been assigned, ~~the inference to be drawn, is that it is impracticable.~~

against it

To determine in our own minds whether a necessity exists for the removal of all *Duties on Imports*, it is imperative that we should thoroughly understand the actual position of this Province; its institutions, its geographical situation, and its relative bearing to Great Britain, the United States, and other Commercial Countries. So long ago as 1832, an Address to the Imperial Government, praying for the admission of Canadian products into their markets without duty, was passed by the Legislature of Upper Canada. Since then I have continued to advocate the principle of Free Trade between the Mother Country and this Colony, as well as a discriminating duty in favor of British manufactures here, *because* a similar duty existed in England. I mention this in consequence of having been charged with inconsistency, for advocating measures now which I then opposed. A striking change in the Colonial Policy of Britain has since taken place. The Colonist now is placed on a footing with Foreigners. A simultaneous change has also taken place in the Commercial Policy of the United States. Under their Warehouse and Bonding Acts Canadian products can reach Britain through the United States. These Laws must produce corresponding changes here—not from any support they may receive from the Press, the Government, the Board of Trade, or private individuals, but by the *natural operations of Trade*. The first leads to a repeal of all discriminating duties in favor of British Manufactures here; the second to the repeal of the Navigation Laws, opening the St. Lawrence, and every existing restriction on the Trade of Canada. This is *inevitable*; it admits of no argument—no alternative; the Government will be compelled, either to remove those restrictions, or to abandon the Trade altogether. The question for consideration, is not removing those restrictions, but whether the removal will attain the end in view. In my judgment it will not: nothing short of removing *all* Customs Duties will ensure the Trade of Canada.

Our position with the Mother Country should be similar to that of a State in the bordering Confederacy, where no Custom Houses, no delay, no restriction, in passing from one State to another exists. To this cause Sir H. Douglas and other Statesmen ascribe their prosperity. By official statistical returns of Custom duties, it appears that prior to the union in 1841, the Trade with England was increasing at a ratio of three to one over that of the United States—the increase from 1838 to 1840 being former £14,519, latter £4,561; that since 1841 the increase with the United States is in a greater proportion than that of Great Britain, it being an increase from 1841 to 1843 with the United States of £94,020, and with Great Britain £76,362. In 1841, be it remembered, the Customs duties on British Manufactures were increased from 2½ to 5 per cent. That it must continue to increase under the operation of the existing restrictions in a progressive ratio there can be no doubt. Prior to 1841, a fair Trade

with the United States was transacted through Canada in the finer Fabrics, Cloths, Loaf Sugar, &c. &c. &c. This Trade has wholly disappeared, and the Establishments at Fort Erie, Windsor, and other points on the frontier are withdrawn. The Drawback or Warehousing Bill, passed in the Session of that year, has proved a total failure, not an article of British manufactures having passed through Canada for the supply of the Western States under its provisions. Goods of every description are at this moment as cheap in the Western States under their high Tariffs as in Canada. These facts afford undeniable proof that the 100 per cent. increase of duties in 1841, on the manufactures of Britain, ~~from 24 to 5 per cent.~~ amounted to a prohibition for the supply of any portion of America through Canada; and if we aim at supplying a portion of the Western States with British manufactures, *those Customs duties must be wholly removed.*

From our proximity to those States, the Inhabitants of Canada must not be placed in a worse position. By the removal of Import duties altogether the increase of Trade and value of property would leave us nothing to envy. It would also be an ample equivalent for the expense incurred by Great Britain in the Colony; because in withdrawing all duties on British manufactures, you place them in a condition to compete with those of any other country, which is all they require. It would ensure the Western Trade, and the Revenue on our Public Works; and from the general prosperity which would become visible, the continuance of our connexion with the Mother Country would be firmly established. If those reasons are sound, it is clear that *a necessity exists for the removal of Import Duties.*

The next Letter is designed to shew that their removal can be effected without increasing Taxation or impairing Public Credit.

Your obedient Servant,

W. H. MERRITT.

St. Catharines, 27th April, 1847.

LETTER NO. III.

GENTLEMEN :—

The object of this Letter is to examine whether Import Duties can be removed without increasing direct taxation, or impairing public credit. The advocates for a continuance of this revenue draw the well understood distinction between the opinions advocated by Protectionists and Free Traders, which it is unnecessary to discuss. Admitting that even the celebrated Cobden, the originator of the Free Trade movement, entertains the opinion that Import Duties are necessary for the support of a Government, as well as the Free Trade merchants of Montreal, it does not establish its necessity for ~~the good of~~ Canada. If its advocate understood the marked distinction which exists between an *Independent Government* and a *Colonial Dependency*, he would ridicule the idea of continuing those Duties : he would look below the surface, and examine into the cause which rendered them necessary in Independent Governments, and if that *cause* had no existence in Canada, their continuance would not be advocated. The simple fact that no Import Duties are required for the maintenance of the Government of the State of New York is sufficient proof that they are not required for that of Canada. But as it is desirable that the *grounds* on which the total and unconditional repeal of those Duties are based should be well understood, it is necessary the relative obligations and duties, which should exist between an independent and a Colonial Government, should be examined.

The Mother Country expends large sums annually in this Colony for the erection of Fortifications, and the maintenance of Troops. The equivalent heretofore exacted from the Colony was the control of her Trade. Under the late British Possessions Act, this control is virtually abandoned, and the Provincial Legislature is recommended to "reduce or remove those duties to the lowest limit which the exigencies of the Government will admit." The Colony therefore is under an obligation to the Mother Country to increase that Trade, which fortunately it is her interest and in her power to do, *by the removal of Customs Duties.*

The *increase* of the consumption of British manufactures here, adds to the profits of the manufacturer and gives employment to a greater number of operatives there, all of whom contribute to the revenue in Britain. By

This means the consumer here bears his proportion in the support of the Army and Navy ; but as no part of this expense is paid out of the Provincial Treasury, this Colony *does not require the duty on Imports.*

Import duties are imposed by independent Governments for the purpose of maintaining an Army, Navy. Foreign embassies, &c. for the purpose of guarding their Commerce. *Its imposition here* is an injustice to the Mother Country—inasmuch as it diminishes her Trade and deprives us of the power of contributing our proportion of these expenditures in the only legitimate manner—the natural operation of Trade.

Its imposition is also unnecessary, unjust and injurious to the Colony. *Unnecessary*, because it has no expenditure to make from its Treasury for the same object. *Unjust*, because it deprives the inhabitants of the only advantage they possess, as an equivalent for their dependency. *Injurious*, because it deprives us, as well as the Mother Country, of the natural advantages we ought to possess—having opened the largest and best communication between Great Britain and the Western States, the greatest portion of that Trade will be diverted through this Channel on the repeal of that duty.

The objects for which Taxes are imposed, and the sources from whence obtained, should be defined. They cannot be more clearly explained than by pointing out the system of specific funds for years adopted by the Government of New York. For instance taxes are imposed on Imports and expended *for the maintainance of the Army and Navy*, as before mentioned. This tax is not applicable to either a State or Colonial Government. A fund is created out of the proceeds arising from the sales of Land, and expended for education. A tax is imposed on their internal resources—viz : Salt manufactured and Auction Sales, and expended for support of the State Government. The Tolls from Canals and direct tax of $\frac{1}{2}$ mill on the dollar, is expended for the interest on State debt. A *Fee Fund* is collected from litigants, with the exception of a small balance which is supplied from internal resources, for the administration of Justice. With the exception of the manufacture of salt, for which timber duties can be substituted, Canada has the same resources for creating similar revenues.

Various plans have been proposed to meet the change which has taken place in the altered circumstances of this Colony. *One* was to send Members to represent Canadian interests in the House of Commons. The powerless and insignificant position they would there occupy is a fatal objection. *The second* was the formation of a Federal Government here, upon the same basis as that formed in the United States. This measure would cause the same necessity for the imposition of Customs duties here as there, for the purpose of sustaining the expense of this extra Government, and would deprive us of the advantages we now possess of getting relieved from this duty. *Third*, The repeal of the union of Upper and Lower Canada. This union was sought for principally on commercial grounds, the

proportion of import duties received by Upper Canada, and the obstructions in the navigation of the St. Lawrence, preventing free access to the Ocean. By removing *Import duties*, all restrictions on commerce, and securing the free navigation to the Atlantic, now that the navigation is completed, the union may be dissolved without injury to either Province. Lower Canada may support her Government out of her internal resources. Upper Canada can do the same. If the double majority system recently mooted be adopted, the repeal of the union is inevitable. Would it not be wise to prepare for that event in time ?

An impression has generally prevailed, not only throughout this District but the Province in general, that the taxes paid in the different Counties in the Western States are much higher than in the various Districts in this Province. So late as February 1845 an accusation of unfairness was made against me for contrasting the receipts and expenditures of the Provincial Government of Canada with the State of New York, because the local taxes were not included, which, it was alledged, amounted to £800,000 in that State, whereas in Lower Canada there was no direct tax, and in Upper Canada it did not probably exceed £30,000, consequently if our taxes equalled theirs, it would be increased to £400,000, taking our population at one half. This assumes that the citizens of that State pay *twelve fold* higher taxes than the inhabitants of Canada. The late Colonial Secretary was under the same impression when he adduced as a reason why the Canadian farmer could successfully compete with the Western, that he paid less taxes. Impressions of this nature are injurious. If British and Canadian Statesmen have taken so little trouble to inform themselves of the amount of taxes paid, and of the practical operations of the institutions of a Government adjoining us, it cannot be expected from the inhabitants generally, who have no access to public documents. Hence a correct statement of the relative amount of taxes paid in this District and the adjoining County, is timely and useful : the information it affords cannot fail to remove those erroneous impressions. It appears from the *first* Table, that the amount of taxes paid in the District of Niagara in Canada exceed those of the County of Niagara opposite in 1843 £2461 14s. 2d., in 1844 £2505 13s. 0½d., in 1845 £1153 2s. 11½d. This Table also establishes an important point, viz : that no necessity can exist for creating additional direct taxes, in the event of Custom duties being removed, because the direct taxes are not higher in a Government where duties of that nature do not exist.

This fact should at least arrest public attention. To what cause are we to attribute this immense disproportion ? On one side of a River or Boundary, we find three millions of people governed without any revenue or duties on the articles they consume, by a comparative light tax on capital or property ; while on the other side for the government of less than half a million a heavy duty is imposed on the articles consumed besides at least an equal tax on specific articles. A more striking proof of the want of a better financial system cannot be offered. The management of the

public funds in the Government of New York is economical and satisfactory to all classes. The cause is apparent. *There* they have a law requiring the publication of the entire receipts and expenditure of all public monies, in January in each and every year, which is circulated in pamphlet form, and every person has an opportunity of reading and knowing what amount of revenue is collected, from what source, and for what purpose expended. A similar Act has been introduced here, but has been steadily rejected; consequently few have an opportunity of ascertaining the total amount of taxes paid. This want of information has produced apathy on the part of the public, and has led to a system of gross mismanagement, and extravagance unexampled in any other country.

This is by no means the only extraordinary result arising from the investigation of the taxes paid by the inhabitants of the two countries. It will be found by reference to Table No. 2, that we are actually paying higher Customs duties for the support of our Provincial Government than they pay for both their Federal and State Governments.

This Table is taken from the Imperial, Provincial, and United States Customs Acts. The aggregate amount of revenue imposed by the American Tariff of 1846 is greater than the amount imposed under the Imperial and Provincial Acts: it ranges from 100 per cent. on spirits, wines, &c., down to five per cent.; still a just and wise discrimination exists in the selection of the articles on which high duties are imposed. Notwithstanding those high duties, such is the counteracting influence of our restrictions that scarcely an article is brought into the United States through Canada, at the same time we find that all articles of ordinary use are as cheap in the Western States as here, and all indispensable articles, such as are daily used by the husbandman, tea, coffee, salt, &c., being wholly exempted from duties are of course much cheaper. In addition to the amounts on duties named in the Table, one-tenth must be added on the ad valorem value under the Imperial duty; also one-tenth and one-twelfth to bring Canada Sterling into Halifax Currency, being an addition of the 4s. 4d. on the 20s.; also one penny on five shillings, the dollar of 5s. having been increased to 5s. 1d. Those several additions bring the duty on a barrel of American Salt to 3s. 1½d. or five York shillings, and on American manufactures generally to about 15 per cent. Many other items might be added, such as the copy-right law, which imposes a most unjust and unnecessary tax on literature without conferring the slightest benefit on any interest whatever; but we have adduced quite enough to establish the fact that *the Farmer in Canada pays far higher duties even on Imports* than the Farmer in the Western States. This leads to an examination of the extra expenses attending this system of taxation.

It was estimated in the report of November at £40,000 per annum. As this estimate has been disputed, the third and fourth Tables have been compiled from official documents, and from these we glean the following most extraordinary results.

In five Ports, Easton, Owen's Sound, Port Credit, Rondeau and Sault Sainte Marie, the cost of collection exceeds the entire amount collected by £53 6s. 8d. In the other fifty inland Ports the net amount collected is £38,830 1s. 11½d. : the cost of collection £25,775. See Table No. 2, public accounts of 1845. This does not include the cost of management, which would bring the expense to seventy-five per cent. on the amount collected.

The expenses of management in 1845 exceed those of 1844 by £14000. (See Table 2, Provincial accounts.) Many other items of expenditure arising from litigation, &c., are never brought before the public. Again losses, by detention and various other restrictions which embarrass the free action of commerce, to an extent that cannot always be estimated.

However, taking the aggregate, (Table 4.) the estimate will be fully sustained. Nor must we forget that in addition to the above the consumer is obliged to pay to the ~~Inspector~~ a large percentage, say from 10 to 15 per cent. on the amount advanced, in payment of these duties. On £450,000 this would amount to about £50,000, and the real loss to the consumer will be found, when we consider the profits on advances, delays, and other contingencies, not to fall far short of £100,000 per annum. Much might be said with truth as to the injustice and injury arising from the imposition of penalties, imprisonment, and the temptation to crime, held out by the very law itself; but this would be entering upon a ground of reasoning foreign to the subject of these Letters.

Take out Quebec, Montreal, St. Johns, Kingston, Toronto and Hamilton, and the net amount collected in all the other Ports in Canada is not worthy of notice. The labor and industry of the host of Custom House Officers and Tide Waiters, together with their assistants and informers, would be of far more value to the Province than the whole amount collected. This alone would be a good reason for repealing the duty.

It has been clearly shewn that the removal of this indirect duty will not increase the direct taxes. But suppose a necessity for increased taxation should arise, which mode would it be for the interest of Canada to adopt? Certainly that which entails the least expense in collection, and which bears equally and justly on all classes.

An income tax is unjust in its operation, inasmuch as it bears too severely upon the fruits of intellect and labor. If a professional man, a trader, or a common laborer, makes £25 or £1000 a year, he should be exempt from taxes; because his income passes away with him. He cannot leave it to his children; but the moment he invests that income in lands, stocks, goods, or any description of property, which remains to his representatives, then it becomes capital and as such is justly subject to taxation.

I maintain that taxation on capital, as before stated, is the only just and equitable mode—all others should be abolished. By that means alone would the industry of the country be relieved and the system so modified that its burden would scarcely be felt by any individual in the Province. The machinery for its collection by assessors and collectors is simple, economical, and well understood. Under our present system the taxes cost ten times more in collection than under that proposed. It presses with undue weight on active industry and labor, embarrasses and restricts commerce, instead of being laid on ~~unemployed~~ capital on which it would fall lightly. These reasons will satisfy every reflecting mind, that if taxation be required for maintaining the civil government it should be realized by direct contributions and not from Custom Duties.

Your obedient Servant,

WM. HAMILTON MERRITT.

St. Catharines, 3rd May, 1847.

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## LETTER NO. IV.

GENTLEMEN :—

The next inquiry is, whether the amount of revenue which will be withdrawn by the repeal of import duties can be supplied from other sources. *Table No. 5* has been prepared from the Union and Provincial Acts. This document has never appeared in any Public Account. The first will be seen in the appendix to the Journals of last Session, for the purpose of giving the amount expended in each department. In 1844 the expenditure was £382,181 12s. 7½d. The total amount of revenue from imports may (see *Table No 3*) be estimated at about £420,000. The method proposed to supply this amount has been for many years in operation in the State of New York from whence it is borrowed. Here, the revenue, from whatever source received, is paid into one fund ; so that the expenditure in each separate branch may, as in the case of the Crown Lands and marriage License accounts, (see accounts Nos. 3 & 10 appendix No. 1 1843, and Report R. R.) be concealed from public view, and cannot be generally understood. There, each revenue is received and appropriated

in a separate fund for a specific purpose as heretofore shown, by which means the receipt and expenditure of each source and for each distinct object is brought before the people and understood.

The first item selected is the interest on the public debt, amounting to about £125,000. It is proposed to sustain this expenditure from tolls on public works. It may be objected that they will not pay this interest; and I, in common with others who have supported these improvements, have been subjected to no small degree of censure for being instrumental in creating so large a public debt. So far as our large ship canals (the Welland and St. Lawrence) are concerned the charge is just; but I deny having had any participation in squandering the Provincial funds for plank roads or any other local object, or in the delay and extraordinary neglect which has attended the completion of those works, thereby depriving the public of any income.

Public attention is directed to two points connected with this branch of the revenue, for on those points the success of this measure will depend.

The *first* is, perfecting the navigation to the ocean, so that any vessel can pass from Montreal to Prescott independent of any individual agency. This measure was pressed upon the consideration of Government in 1845 by the Montreal Board of Trade, but from its importance not being understood, or from some cause yet unexplained, no action was taken upon it; and many thousand pounds have been lost to the Province from the freights in 1846, in consequence of this neglect; and even now, three years after the time that this navigation should have been completed, the entire transit trade by the valley of the St. Lawrence, is likely to be subjected to the same monopoly.

If any person heretofore doubted the wisdom of making this navigation perfect throughout, the notice published last winter inducing the public to believe that flour would be transported from Kingston to Montreal at 1s. 6d. per bbl. on the opening of the navigation, and a recent notice this spring, that *doubt must be removed*. The same system will be continued, and the same means resorted to, so long as the control over the navigation rests in the hands of individuals.

*The second point relates to the Tolls.*—An effort has been, and most probably will continue to be made, to reduce or remove the tolls on these works altogether, under the impression or pretence that it will cheapen transportation—a more erroneous or injurious measure could not be mooted. The question for the consideration of the country is this: As a revenue must be provided to pay the interest on the capital expended on the construction of those works, which is the most economical and equitable mode of collecting it—from Tolls or Customs Duties? Tolls are collected without coercion in the most simple and certain manner, thus securing economy. They are paid by the party who secures an equivalent in the reduc-

tion on his freight—which is equitable. The public are accustomed to pay it, and do so willingly ; whereas the collection of Custom duties is attended with strife and violence, requiring an army of dependants and informers to enforce payment, and falls on the consumer, reside where he may, although not benefitted by the expenditure—hence it is unjust. Every article passing through the St. Lawrence down or up should be liable to toll. It may reduce the profits of the forwarder ; but would cheapen freight to the public and add to the revenue. Assuming the navigation to be complete and the tolls imposed—the two points contended for—the public debt must be taken as we find it. Endeavour to profit in future by the mismanagement of the past. Fortunately for the Province, the Welland and St. Lawrence canals when completed will not only pay the cost of construction, but will in a few years sustain the entire public debt ! If more money is required to complete them, obtain an additional credit from the British Government on the ground of the changes made by the Imperial Parliament in the commercial policy of the Colony, and pledge the tolls for repayment. This is the plan adopted by the State of New York. The security is unquestionable, and there can be no difficulty in obtaining the money without the Imperial credit.

Whether the revenue from tolls alone will pay the interest and redeem the public debt rests upon one fact, viz : successful competition with the Erie Canal. From the magnitude and natural advantages, the ~~communications~~ in Canada possess, few entertain a doubt of their ability to compete with any other communication.\* That point admitted, the next is to examine the country connected and the extent of its trade, ~~la portion of which must be directed through this channel, leaving~~ to the imagination the quantity of produce to be grown on a coast of 4000 miles above the Falls of Niagara. We will refer to facts and figures to show the quantity and amount already realized from the Erie Canal and the consequences resulting therefrom. †

From the Comptroller's report of 1847, it appears that the entire debt created for the construction of their public works exceeding \$30,000,000 will be paid off in 1869. § The immense revenue which those canals produce, demands the attention of Canadian statesmen. To what cause is it to be attributed ? Is not the absence of all restrictions on the trade between different States a prominent one. Is it not notorious that with the existing restrictions we do not receive any portion of the trade alluded to, except a small part passing by Oswego. Suppose a vessel of 400 tons could pass from Chicago to and from Boston, as well as between other intermediate ports, on payment of canal tolls only, without any other restriction or detention than at present exists between the same points via the Erie Canal—what would be the amount of Tolls collected on Ship Canals, in Canada, where no transshipment will be necessary ? Far greater, in my judgment, than the entire amount of Customs Duties with all other revenues put together at this moment. ¶

I am, Gentlemen, your obedient servant,

W. H. MERRITT.

St. Catharines, May 7th, 1847.

\* This opinion is founded upon the following facts :—The entire distance of the Ship Canals through Canada is 66 miles ; they have a continued descent from the summit of Lake Erie to the Ocean ; they will admit of craft with 4,000 barrels, and from Ontario of 10,000, and no necessity exists for a single transshipment, although one may be found profitable at Montreal or Quebec ;—whereas, the Erie Canal is 366 miles, with great additional lockage ; admits the passage of craft of only 600 to 800 barrels ; one transshipment at Buffalo is indispensable, and another at Albany is found profitable, the channel of each being opened and closed by frost about the same time.

† The increase of productions, the Erie Canal has been a means of creating, can be best realized by examining the rapid growth of the country connected—within a few years five new States have been organized. Population is steadily moving on to the West, increasing in numbers each succeeding year, with unprecedented rapidity. A Canal has been opened during the last year from Erie to Pittsburgh, through Pennsylvania, passing through a country abounding in the richest ore and inexhaustible beds of coal. Another, from Lake Erie to Cincinnati, in addition to the one from Cleveland, passing through the centre of the State of Ohio, with branches intersecting it in various parts. Sandusky will soon be connected with the Ohio, by Railroad. Another by way of Mansfield is penetrating the richest wheat growing Counties. Toledo is connected with the Wabash in Indiana, and various other branches extending therefrom. From Detroit the Great Central Railroad will soon reach the head waters of Michigan. Chicago will soon be connected with Illinois, extending to the Mississippi—no country from climate and soil offers better prospects for producing the fruits of the earth in abundance. Those products will seek a Channel to the Atlantic *through Lake Erie*.

If we refer to the extent of the Trade on the Atlantic Coast between Halifax and New Orleans, in a distance of 2000 miles, we may leave

‡ It appears recorded in the Erie Canal documents, that in 1820, Governor Clinton, estimated 100,000 tons in a few years after its completion. Governor Morris 250,000 tons, within 20 years. In that period it reached 1,500,000 tons. In 1821 the Comptroller reported that in ten years after its completion, \$150,000 per year may be safely estimated from Toll ; it realized \$1,000,000. In 1846 it increased to 2,362,319 tons.

This experience has proved that its most sanguine and enthusiastic promoters never anticipated the extent of the resources it would develop—the rapid increase of the productions it would create—or its pecuniary value to the State. It has doubled its wealth in 20 years, and has provided an unfailing source of revenue, after paying the cost of its construction, to pay off the entire debt of the Government.

§ What will be the relative position of the two countries at that period ? In January last their debt was reduced to \$17,000,000 ; in twenty years it will be wholly extinguished, after which, (except \$600,000 appropriated for the expenses of the State) the Canal will be enlarged and no Toll and no Taxes required—while in Canada, the Public Debt has continued to increase from year to year, until it has already reached that of New

York—with not one half her population or a tythe of her wealth, while our Canals remain unfinished and unproductive. Should this continue, in what situation will it place the inhabitants of Canada ; will they, under those disadvantages, be enabled successfully to compete for the Trade of the West ? Is it not time this supineness and negligence on our part should arrest the attention of men of judgment and property ?

|| This opinion is founded upon the progressive encrease of tonnage and toll on the Erie Canal heretofore. The tonnage and toll passing the same in 1846, which has increased during the present season to its maximum for single locks. The extent of country connected, and the increase of its productions, all of which will centre on Lake Erie, from whence the Canals through Canada are constructed with increased dimensions, less distance, and less lockages, advantages which (were there not, as I feel confident there will be, as much freight as both channels can convey,) would divert a fair proportion of the business. Having no public records shewing the tonnage passing through the St. Lawrence from year to year, no satisfactory estimate of the trade of Canada can be made ; but assuming, in addition to this tonnage, we divert from the Erie Canal as much as will make in all 1,000,000 tons, at 5s., on the Welland, as at present, and 5s. per ton on the St. Lawrence, it would yield a revenue of £500,000. To this, add the increase tonnage in Canada and the Western States, which a ship canal, and *the absence of Customs Duties* will create, and who will doubt that, by adopting the same policy as the Government of New York, the revenue of those canals will ensure the payment of our entire debt within the same period, and keep the trade, which our natural advantages entitle us to, within our own channels and our own country. The originators of the Erie Canal were sensible of those advantages as long since as 1816. De Witt Clinton and Governor Morris, in their first report advocating the interior route from Lake Erie to the Ocean, say, that no part of the world possesses equal advantages for canals as the St. Lawrence below Prescott. You are situated by the side of the colony of a great commercial nation who will avail themselves of those advantages. Let the commerce of the West once descend to Lake Ontario, and it is gone from you for ever. Although our enterprise was overrated, and those advantages neglected until upwards of 30 years had passed away, still this communication must be opened in a short time, and vessels of 1000 tons may pass from Lake Ontario to the Ocean ; and a few years will test the accuracy of their predictions.

## LETTER NO. V.

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GENTLEMEN :—

In my last, the transfer of the Public debt from custom duties to those on tolls, was argued and dwelt upon at some length—because under any circumstances credit must be sustained, and the creditor should be made to feel that his money is quite as safely invested in Provincial debentures, as in New-York Canal scrip. A point of no less importance to establish is—whether the grant for common schools can be sustained from any other source. £50,000 per annum is now paid from custom duties for this object. We have borrowed that part of the American school Act—which imposes an equal amount on the different districts—but discarded or overlooked the most essential part, viz—that which provides the funds—and at the same time *lessens* taxation. To explain. There, a fund has been created out of the sale of public lands, for common schools and township libraries. The inhabitants are entitled to this money if they voluntarily tax themselves to an equal amount, thus they receive a bonus of one dollar for every dollar they pay by this direct tax. Here, having neglected to provide a similar fund from the proceeds of the sales of land, we pay the dollar advanced from custom duties on the articles consumed, and another dollar by the direct tax; thus, instead of receiving a bonus equal to the amount of the direct Tax imposed, a double Tax is paid for the same object. It appears from the Surveyor General's returns, published in the report of a Committee of the Legislative Assembly, March 7th 1845, that 120,000,000 acres of land still remain subject to the control of the Provincial Government, which were valued at upwards of £2,500,000. Consequently, no doubt can be entertained, that the Province possesses ample resources in land, for the support of common schools, and the Establishment of public libraries. But we must not close our eyes to the imminent danger which exists respecting those lands. If the present apathy continues on the part of the public, every acre will in a few years be alienated, and the only real capital the Government or the public possess will be irretrievably and irrecoverably lost. This apprehension is founded on the following facts: First, from 1818 to 1838, upwards of *eleven millions* of acres were purchased from the Indians. In 1844 only one million remained on hand. The annual sum of £6,655 is now paid by the Provincial Treasury for this land—Consequently it was the property of the Canadian public; not the property of the Crown as then contended for. No: one acre has been sold or one pound raised for the purpose of creating a capital to pay this interest. Thus, the Province has gratuitously created a debt (at 5 per cent interest.) equal to £133,100 without value or any

equivalent whatever. *Secondly*: The Legislature endeavored to obtain the control of those lands, up to 1841, when it was granted under the union Act, with such restrictions however, that the Provincial Ministry alone can direct them to their legitimate object, *Education*. In 1841, the following clause was inserted in 4 & 5 Vic., Chap. 18 "*And be it enacted*, that for the establishment, support and maintenance of Common Schools in each and every Township and Parish in this Province, *There shall be established a permanent fund*, which shall consist of all such monies as may accrue from the selling or leasing of any lands, which by the legislature of this Province, or other competent authority, may hereafter be granted and set apart, for the establishment, maintenance and support of Common Schools in this Province, and of such other monies as are hereinafter mentioned. *And all such monies as shall arise from the sale of any such lands, or estates*, and certain other monies hereinafter mentioned, *shall be invested in safe and profitable securities* in this Province, and the interest of all monies so invested, *and the rents, issues and profits arising from such lands or estates as shall be leased or otherwise disposed of without alienation shall be annually applied in the manner hereinafter provided to the support and encouragement of common schools.*" Notwithstanding this pledge, session after session has passed, and each succeeding government has neglected or refused to make the appropriation. *Thirdly*; During the same session of 1841, an act was passed for the disposal of public lands. The only valuable provision it contained was the 2d and 13th clauses, which enacted that no free grant should hereafter be made, and no new claim admitted after 1st. January, 1843, should be allowed or even entertained, except *Minors*. On the 20th Feb. 1844, militia claims in Lower Canada were authorized to the value of near £100,000 to be paid in land at 8s. per acre.

Thus we find not only a pledge to appropriate in an act of Parliament, but even an act itself has been no protection to those Lands.

*Fourthly*; In 1844, months were occupied in ascertaining the extent and value of the public domain—in pointing out the extravagant and injurious effects of the present system—the remedy to check it—and recommending a Law appropriating the proceeds inviolably to the support of Common Schools and Township Libraries and no other purpose. Still no result has been produced. The Government alone under the Union Act, can propose any bill which affects the revenue. The report emanating from that inquiry, showed from official returns, that although about £300,000 had been paid by the Canada Company, and other sums by various individuals, *not a single farthing*, up to July 1841, had ever been paid into the Provincial Treasury—also that from that time to Dec. 1844 (three and a half years,) although £58,465 had been disbursed for the expenses of the Crown Land Office, only £6,733 had been received in cash from the sales of land! (see Official returns from that office, No. 19, Letters N. N. appendix to Journals '44 and '45.)

Although this statement has been shamelessly denied in one or two papers by those interested, and a feeble attempt made to ward off the charge, it will be found when truth predominates, to expose the most profligate waste of Public property ever yet recorded.

*Fifth*; Another cause of apprehension has lately arisen which deserves attention. Various gentlemen of ability both in Canada and Britain, have proposed plans to appropriate those lands for the promotion of Emigration, the construction of rail-roads; and other objects. If by any individual influence, or even by a misdirected public opinion, the proceeds of those lands should be appropriated for any other object or purpose whatever than to create a perpetual fund for the maintenance of Common Schools, it would inflict a more lasting injury on this province than any other measure which can be named. If provision is not shortly made for this fund, the people will claim a share of the *one-seventh* reserved for the support of ministers of different denominations of Christians, also a share of that set apart for the university and grammar schools. It may be said "those questions are settled; they will not again be agitated"—but experience proves that nothing human is stationary or settled, and as far as the public is concerned, nothing can be stationary, which does not confer equal advantages on the entire population. It is notorious that a very small proportion of the inhabitants, are or can ever be benefitted by those literary institutions where the higher branches of education are taught. They will look for a fund from the public, which will supply them with teachers and books; this done, they will rest satisfied—we still have the opportunity of providing it, and every clergyman, minister, professional gentleman and every man who values peace, should lend his efforts to avert the application of the proceeds arising from public lands, to any other object.

The true policy, is to make Canada a desirable country for the residence of the emigrant; give him the means to educate his children, remove your Custom duties, and show him that it is his *interest* to reside here in preference to the United States, and you will find that population will increase with the same rapidity here as there.

The next important branch of the public expenditure is *the administration of justice*. It appears there is paid from the duties or customs out of the Provincial Revenue; £66,561, from the direct taxes in the different Districts in upper Canada about £80,000; it may in round numbers be stated at from £80,000 to 90,000 to maintain the peace for about one and a quarter millions of people. Under the 9th Vic. chap. 2d, one third of this amount was transferred from the District to the Provincial Treasury, and an excise tax, of 2d per gallon on whiskey manufactured in Canada, was imposed to supply the amount. It was a popular tax, because it bore equally upon Lower Canada, who paid no part of the District direct taxes for the administration of justice, as in U. C., and because it was supposed to promote temperance by increasing the price of whiskey. Many Wardens in the different Districts congratulated the Councils on the occasion. A moment's reflection, however, will remove this delusion. Admitting that the inhabitants of Lower Canada are made to pay their proportion—does it relieve the inhabitants of upper Canada? No! It only inflicts a similar tax on Lower Canada. Again does it increase the price of whiskey?—No! that is impracticable—and why? If we were residing on an island, or surrounded by a stone wall, through which a single gallon of whiskey could not enter, then according to the unerring rule of supply and demand, the price of whiskey would

necessarily rise, and the consumer would pay this tax because the import duty amounts to a prohibition. But we happen to be situated by the side of a Boundary of some hundreds of miles, where whiskey is made in great quantities—where no license, no tax is exacted—except a percentage on the capital invested in the building as land stocks, or any other property, and where every facility is afforded to the manufacturer. This whiskey is smuggled in, and supplies the demand on the frontier.—The Canada distiller can make no cash sales—prices continue low ; and he can only afford to pay the farmer for grain the value, after deducting the amount of this duty, license, loss of time and all other restrictions under the law—thus the full amount of this tax must be sustained by the grower. The effect is this, the farmer is relieved from the payment of his quota of the direct tax for the administration of justice—say 5s. to 10s. per annum, which he has heretofore paid to his township Collector, and he loses on every bushel of his coarse grain, *sixpence!* (that is supposing 1 bushel of grain makes 3 gallons of whiskey, at 2d. per gallon.) and the grower instead of the consumer pays the tax.—This tax is paid by the *distiller* to the excise office—therefore the farmer does not see it go out of his pocket ; but he will find the loss on the price of his grain a sorry equivalent for the direct tax.—The expenditure prior to 1836 in this branch, in Upper Canada, was less than £4,000. The *causes* which produced the enormous increase from £4,000 to £56,561 (the present amount,) and the remedy were pointed out as well as the expenditure, in Nova Scotia, New Brunswick, and every state north of Pennsylvania, in which latter it averages about the same now as formerly in Upper Canada. This immense disproportion arises principally from the system. In New York, a Fee fund is established, which is paid by litigants, and nearly repays the expenses of the Supreme and Chancery Courts. Here, salaries have been adopted, and the public who have no interest in ~~Costs~~ *Costs* sustains the expense, thus directly encouraging litigation. The remedy proposed, is, to establish a Fee fund to be paid by suitors. It can be easily arranged. A Fee Fund is already established for the benefit of certain offices of the Court and Law Society,—extend it for the relief of the public. The effect will soon be seen in the suppression instead of the encouragement of litigation at the public expense.

The next *branch is the Civil Government*.—This amount is proposed to be paid out of the internal revenue now amounting to about £100,000 (see Tables 6 and 7.) It is unnecessary to enter into details to show the amount of reduction in the public expenditure—it comprises entire departments, Crown Lands and Customs.

*Third ;* The reduction of all salaries upon the following principle :—The Governor, not to exceed £5,000. This salary will ultimately be reduced to £2,500—a sum ample for the circumstances of this Colony, if contrasted with the amount paid by far wealthier States. For instance : The Governor of Maine receives only \$1,500, New Hampshire \$1,000, Vermont \$750, Massachusetts \$2,500, Rhode Island \$400, Connecticut \$1,100, and New York \$4,000, the highest of any single State except Louisiana, which pays \$6000, and no other office in the Colony to exceed £1000.

The other items are unimportant, and can present no obstacle. The transfers of those four departments from Customs Duties to other specific Funds created from other sources, only require consideration.

Your obedient servant,

W. H. MERRITT.

*St. Catharines, May 10th, 1847.*

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## LETTER NO. VI.

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GENTLEMEN :—

In conclusion—We find by the first and second Tables, that the most essential articles consumed are higher here than in western New York : if true, it leads to the conclusion come to in the second Letter, that the most urgent necessity exists for the changes recommended : ~~if so~~, we find by the third Letter reasons and arguments to show that this change can be accomplished at an immense saving. The unprecedented expense attending the collection of Customs duties will scarcely be credited :—exceeding £25,000 is paid in sixteen Ports in Lower Canada and thirty-nine Ports in Upper Canada for the collection of £40,000. Is this amount of Revenue any equivalent for even the delay arising from searches, entry, clearing, &c. &c. &c., to the Trade of so great a portion of the Province ? No reasoning, no argument can be more convincing than this fact :—only £40,000 is collected in every interior Port in Canada except four, and it costs the consumer £25,000 additional Tax to collect it. Can such a system continue, among an enlightened people ?

It is also highly satisfactory to find from Letters Nos. 4 and 5, that the Province possesses abundant resources to create a revenue within itself to supply the deficiency arising from the repeal of those duties.

These changes are no experiment—no theory, and not intricate ; the most ordinary capacity can understand them ; they have been in practical operation for years in a State, why will they not prove equally beneficial in a Colony ? No reason can be assigned, no satisfactory answer can be given.

It may be argued that the inhabitants of Lower Canada have been accustomed to this payment of Customs duties ; that however expensive, so long as they are satisfied, why disturb it ? The reply is this : no cause exists, and no reason can be assigned, to show that direct Taxation will

be necessary in consequence of the repeal of Customs duties. The internal resources of Canada are ample to meet the ordinary expenses of the Civil Government. As there is no army to maintain, and no expense to incur for those objects which are applicable only to independent Governments, there can be no necessity for Import duties. If the Inhabitants of Lower Canada think proper to dispense with direct Taxation, for the improvement of their respective Parishes or Counties, it is no injury to other localities—they will see the effects produced in other parts, and soon learn their true interests.

The saving in the expenditure of the Provincial Government, although not inconsiderable, is trifling when compared with the main object in view. It is alluded to for the purpose of proving that this incubus can be removed without impairing the efficiency of the Government, the credit of the Province, or the general interest of the public, not for the ~~additional wealth it will create~~. The object in view is far more comprehensive: it aims at the emancipation of commerce and placing Canada in a better position than any other portion of America. By continuing Import duties, her Trade will continue to be diverted through other channels, in another country, which will create a revenue from Tolls on our products. Each succeeding year those revenues will increase in amount, and enable them to lessen Tolls, thereby increasing their means of competition and diminishing ours in the same proportion; whereas by adopting the contemplated change, Canada would become one entire free warehouse. The ~~absence of all duties, all restrictions, detention, doubts and apprehension, when known, would cause shipments from all foreign Countries—not for the supply of Canada alone; but for the supply of a Country, the extent of which can be realized only by those who have witnessed its increase of population and productions for a few years past.~~

The value of this Trade, provided the St. Lawrence is left to benefit from its natural superiority, as compared to other channels, unrestricted by the folly of Legislative enactments, cannot be estimated. The amount of revenue it will create from Tolls, which will be willingly paid by foreigners, will in a few years far exceed the present revenue from Customs, and relieve the inhabitants of both Upper and Lower Canada from every other Tax.

The statements on which these changes are based will be before the public a sufficient time to give any individual an opportunity to ascertain their correctness. They are selected from public documents open to all. The ensuing session will give an opportunity for public discussion. They will not be denied: they may be evaded and misrepresented by narrow minded and interested individuals; but they will receive the support of every man who can realize the effects they will produce. They may be retarded for a time; but I have every confidence in the ultimate result.

I have the honor to be, Gentlemen,  
Your obedient Servant,

WM. HAMILTON MERRITT.

St. Catharines, 15th May, 1847.

