

on the completed microphone that might be imported into the country they put a duty of 40% or 50%, which is a protection of 10% or 20%. I don't say close down the manufacturers, I say take off the 30% duty on the raw materials, and all the duty on the finished article, wipe out the duty completely.

**Mr. Higgins** What is the real difference then so far as profits to these manufacturers are concerned?

**Mr. Smallwood** I am not worried about the profits, I am worried about the cost of living — I have to pay more, like all of us. I am not a shareholder in a local factory, if I were — I am big enough to know what human nature is like — no doubt I would like a high protective tariff, no duty at all on the raw material, but say 50% or 60% on the finished article, so that I would have a protective tariff of 40% or 50%. That's if I were a shareholder. I am a consumer, and so are all of us, and I am interested only in the cost of living.

**Mr. Higgins** Whilst I don't disagree with you, how is the government going to make up the difference in their duties under your scheme?

**Mr. Smallwood** Well, Mr. Cashin told us a few minutes ago what he said 20 years ago, and I will remind you of what I said 20 years ago in the MCLI<sup>1</sup> in a debate they had up there. I said the day would come in Newfoundland when there would be a political party and on their banner they would inscribe two words "Direct Taxation", not indirect taxation as you have today in our customs tariff. The Chadwick-Jones report tells us that in the last year they report the percentage of the total revenue was risen to 30% — 30 cents out of every dollar they took in direct taxation, but that still left you 70 cents to the dollar that was taken in by indirect taxation. I would say it ought to be the other way about — 70% by direct taxation and not more than 30% by indirect taxation. That is what is crucifying the people of this country and always did....

There was a time in Newfoundland when the tariff amounted to 8% or 10%. Go back 20 or 30 years ago, when you got a duty of 20% it was something unusual. It was the same as it is in Canada today, about 10%. You take all our imports into Newfoundland last year, you will find it in the Chadwick-Jones report, lump them all together and what was the average rate of duty?

25%. It would be much higher than that if we took out the free list, the flour and beef, etc., that pays no duty. It would probably be 40% or more.

We wonder why the cost of living is so high, and we blame the merchants and the shopkeepers. Maybe some do deserve it, I think there is some profiteering, but the real trouble is the tariff: \$19 million we paid the government last year in duty, and on it \$10 million profit, that's \$29 million our tariff tacked on to the cost of living. There is only one cure for it, to cut the duty out altogether. A few may be hurt, but I don't think there is any need to burn down the factories or shut them down.

**Mr. Higgins** You don't agree with Major Cashin then?

**Mr. Smallwood** He did not really mean that, but he meant that if you took every employee and gave them their present wages it would be a couple of million dollars...

**Mr. Hickman** About \$4 million a year.

**Mr. Smallwood** Yes, it would pay this country, it would pay them well, first to shut down the factories; second to pay out that \$4 million from the treasury in wages and let them go idle, doing nothing (we could not do that I know, but it would pay them); and third to take the duty off and let the cost of living come down. As Major Cashin says, cut out these tariffs and let the people live and breathe which they have never been able to do.

**Mr. Hickman** A few of the remarks Mr. Smallwood has made we have pointed out in the report. He has not taken them into account. I refer to one remark on page 8, this \$4,800,000 which he implied, and rightly so, came out of the pockets of the people who made the money. He implied that if those local industries were not there the people would not have had to pay that money. They still would have had to pay it, and perhaps more. There are certain local industries that do make things cheaper than the imported articles. Another thing he said was that local industries are driving up the cost of goods. We have found that in many cases the tariff has been reduced since these companies have been in business. There is one, clothing, which ran to 65% duty, and is down today to 35% in spite of local industries being here.

**Mr. Smallwood** Was the duty on raw material

<sup>1</sup>The Methodist College Literary Institute; a St. John's debating society.