

Apart from these general objections, the particular proposal that such subsidies should vary in accordance with the preferential rebates accorded by each Dominion to United Kingdom products would seem impracticable, since—

- (a.) It is impossible to arrive at any accurate measure of the money value of the preference to the British trader, as such value must vary in every case in proportion to the severity of the foreign competition.
- (b.) Moreover, in order to make any scheme of subsidies effective the amount of the subsidies would have to be constant.
- (c.) Incidentally, the effect of this proposal would be that, while the direct financial benefit of the preference given by the Dominion in each case would accrue to individual traders, the corresponding subsidy would be paid by the Home Government at the expense of the general taxpayer. On the other hand, even if it were practicable to tax the value of the preference in the hands of the trader who benefits by it, this would simply be to reverse the effect of the preference.
- (d.) Such a differential subsidy might operate very unfairly in cases where the same preference is given by two Dominions, but where the volume of British exports differs. It is submitted that it would be inequitable to treat differently two Dominions who accord the same advantage to the Mother-country.

In addition to the above considerations, which in the opinion of the Committee show that the administrative difficulties render the proposal impracticable, the Committee are convinced that were the scheme once adopted in principle it would be difficult to put a limit to its extension, and it would become almost impossible to avoid Budget burdens on a scale too heavy to be contemplated.

II.—IMPORT LICENSES ; AND III.—PURCHASE BOARD (STABILIZATION OF PRICES).

The Committee are of opinion that a system of prohibition and licenses would involve the establishment of a State Purchase Board and price-control, and they are confirmed in their view by experience of control not only in Great Britain, but also in Canada, South Africa, and India. Reasons for this opinion will appear later (see paragraph 6 (a) and (b) below).

But, in any case, the Committee cannot recommend the adoption of a system of prohibition and licenses, for the following reasons :—

1. The system, whatever its purpose, is one to be avoided if any other is practicable, and only to be resorted to where no other can avail. The Genoa Conference, on the advice of the British Empire delegations, adopted a resolution (Articles 6, 7, and 8 of the Report of the Economic Commission, Cd. 1667) declaring that “ These measures [*i.e.*, import or export prohibitions or restrictions] constitute at the present time one of the gravest obstacles to international trade.

“ In consequence, it is desirable that no effort should be spared to reduce them as soon as possible to the smallest number.”

The reasons which weighed with the Genoa Conference when they adopted this resolution were generally identical with those set out in the following paragraphs, and they seem to apply with equal force to-day.

2. The operation of the system would produce a paralysing uncertainty in trade from the point of view of the producer, subject to the system of prohibition. To take the particular case of meat, there would be difficulty in deciding not only how much he should kill, but also at what size he should maintain his herds, and he would probably find further difficulty in negotiating with shipping companies for freights, for the disposal of tonnage would be equally affected by the uncertainty.

Nor would there be only a risk of producers ceasing to produce if they were liable to be excluded from the market. The importers, who would be directly subject to control, and whose interests would be injured by it, could never be relied on to deliver supplies promptly on the issue of a license if they thought they could profit by producing artificial shortages.

It would be impossible, in short, to count on obtaining, at the moment when they were needed, either the precise amount of supplies or the necessary means of shipment.

It is to be noted that this aspect of the licensing system formed, in the view of the Genoa Conference, the gravest indictment against it.

3. It would be most difficult, even with the best will, to administer the system fairly as between various foreign sources of supply and various importers. Constant complaints would be made by applicants who had been refused a license, alleging that licenses had been granted to their competitors in cases like their own. So long as there was more than one importer to be dealt with, the necessity would arise of making an allocation between them, and this difficulty would ultimately, if the policy were persisted in, involve the formation of a single importing agency.

4. The effect of a licensing system, as of an import duty sufficiently high to produce an equally exclusive effect, is to give an enhanced value to goods admitted to the country ; but there is the fundamental difference that the import duty is paid to the Exchequer, while under the system of licenses the corresponding sum accrues to the profit of the foreign producer and/or importer of foreign produce.

5. Moreover, a grave objection to the proposal for licensing lies in the fact that the duty thrown on the licensing authority would be too invidious to be borne.

It would have to grant licenses in two events—

- (i.) If Empire supplies were inadequate.
- (ii.) If prices were raised unduly.