

- (b) The abnormal volume of unemployment in New Zealand and elsewhere, due to causes which seem attributable to the general world depression, and are not the consequences of our tariff policy.
- (c) The development and spread of the policy of quantitative regulation of international trade embodied in import and/or export quotas and similar devices, imposed either in general terms or as the result of international treaties or reprisals. If the quota system comes to supersede the older system of tariffs as a general regulative principle in world trade, or to supplement it on a considerable scale, then our tariff policy might require material alteration, and many of the duty schedules might have to be reconsidered.

The recommendations in the present report are based on the assumption that the present world depression, and the trading restrictions arising peculiarly out of it, will pass, and that world economic life and international trade will be restored in substantially the same form, and governed by substantially the same principles, as prevailed before the depression.

There are some general principles which in our view should be borne in mind when considering our tariff policy. A sound Customs Tariff should embody a long-range and long-period policy, and cannot properly be framed to meet temporary fluctuating economic conjunctures.

“Few devices are more unsuitable than a tariff for dealing with an emergency situation. Its inevitable crudity must result in the dislocation of industry and trade, the loss of markets, and acute disappointment even to those who anticipate the greatest favours.” (Beveridge and others, “Tariffs: The Case Examined,” p. 193.)

A tariff should be framed on the assumption and for the conditions of economic stability, and in particular it cannot be framed to function satisfactorily as an equilibrating factor in regard to a currency liable to marked irregular short-period fluctuations in value of an unpredictable type. In the absence of reasonable currency stability, indeed, all economic calculation becomes chaotic. If the currency is stable within close limits over a considerable period economic values will adjust themselves to it, but if the currency is constantly fluctuating in value, an attempt to compensate this by tariff adjustments would be likely to make the position worse. It would be a series of shots at a target subject to a double set of movements. Both currency variations and tariff adjustments to compensate them take time to produce their effects, and are liable to complex and incalculable economic and social interferences and reactions, and taken in conjunction, they do not seem sufficiently controllable by administrative action to secure a definite result at a definite moment. Such a policy would result in a double measure of uncertainty: uncertainty as to the currency, and uncertainty as to the real effect of the tariff variations.

A tariff could not be framed primarily and rapidly to absorb a temporarily swollen margin of unemployment. The causes of our currency instability and abnormal unemployment are largely extraneous to our tariff policy, as is shown by the fact that this policy has not varied over a great many years, whereas currency values and volume of unemployment have done so.

Broadly speaking the tariff has been, and should be, a long-period matter. To employ tariff variations to adjust stresses in other parts of the economic structure, especially short-period stresses which are not consequent or ancillary phenomena to the tariff itself, merely adds further elements of instability to an already unstable situation. Admittedly no tariff schedule or tariff policy can be permanently binding on the future, but a broad continuity of tariff policy, undisturbed by reactions to transitory stresses in other parts of the economic organism, is very desirable.

Our past tariff policy has embodied as its principal objectives the collection of revenue, moderate protection to local industries, preferential treatment to goods of British Empire origin, and, more recently, most favoured nation treatment in the case of certain foreign countries. This policy, as far as the United Kingdom is concerned, appears to have been based on the tacit assumption that the British