CHAPTER X.—TARIFF.

Question 6 : What has been the effect on prices of the tariff reduction ?

1. The peculiar difficulty incidental to the study of dynamic economics—namely, the impossibility of isolating phenomena that it is desired to study in detail—is exemplified, especially in dealing with the effect on prices of tariff reductions. *A priori* a reduction in Customs duty should result in a reduction of the price paid by the consumer, provided all other factors in fixing price remain constant. General principles.

The period under consideration, however, more especially the last fifteen years, has been a period of rising prices the world over, due to causes which have been discussed in other portions of the report, but which cannot be neglected here. Chief among these causes may be mentioned (*a*) the relative change in the circulating-medium as compared with commodities generally ; (*b*) increased demand for food-stuffs ; (*c*) shortage of supplies ; (*d*) the operation of trade combinations that secure the control of certain commodities and regulate the price in their own interests ; (*e*) increased cost of production, due to increased cost of raw materials, higher wages, and transportation. Period one of rising prices.

2. The Customs tariff of New Zealand was in the first instance adopted for the purpose of raising revenue. Later it was used as a means of affording protection to local industries from outside competition. The important changes which have taken place since 1896 are indicated in the following table :— Tariff remissions.

TABLE No. 54.

—	Rates of Duty.		
	1896.	1900.	1907.
Currants and raisins	2d. lb.	1d. lb.	Free.
Other dried fruits	2d. ,,	2d. ,,	,,
Mustard	2d. ,,	2d. ,,	,,
Unground spices	2d. ,,	2d. ,,	,,
Acid, tartaric	1d. ,,	1d. ,,	,,
,, citric	15 per cent.	15 per cent.	,,
Sugar, molasses, and treacle	½d. lb.	½d. lb.	,,
Blue	2d. ,,	1d. ,,	1d. lb.
Candles	2d. ,,	2d. ,,	1½d. ,,
Infants' foods	20 per cent.	15 per cent.	Free.
Matches, plaids, 100's	1s. 2d. gross	1s. gross	1s. gross.
,, flat pocket, 100's	1s. 9d. ,,	1s. 4d. ,,	1s. 4d. ,,
,, oblong, No. 4's, tin	5s. ,,	4s. 6d. ,,	4s. 6d. ,,
Patent and proprietary medicines	40 per cent.	15 per cent.	20 per cent.
Sarsaparilla	25 ,,	15 ,,	20 ,,
Rice	6s. cwt.	Free	Free.
Kerosene	6d. gallon	,,	,,
Tea	4d. lb.	2d. lb.	,,
Infants' boots (Nos. 0 to 6)	22½ per cent.	22½ per cent.	,,
Boots, shoes, and slippers	22½ ,,	22½ ,,	23 per cent. to 100 per cent.
Motor-cars	20 ,,	20 ,,	Free.
Soda, bicarbonate and carbonate	1s. cwt.	1s. cwt.	,,

The Customs Duties Amendment Act, 1909, imposed a surtax of 1 per cent. on the amount of duty payable under the existing tariff on tobacco, cigars, and cigarettes, and 2½ per cent. on the amount of all duty payable on all other dutiable goods. This surtax took effect on the 24th November, 1909, and terminated on the 31st March, 1911. Effect on prices.