From the fact that this revenue represented approximately 52 per cent. of the total net taxation revenue of the Dominion for that year, it will be seen that under present conditions the Dominion relies very largely upon this source of revenue to meet the general expenses of the State.

The following table shows, for the past financial year, the chief revenue-producing items of the tariff and the amount of duty collected under each of those items:—

Name of Article.	Revenue collected, 1926–27. £
Spirits, wines, and beer	1,253,123
Tobacco, cigars, and cigarettes	1,393,909
Motor-vehicles	1,079,076
Apparel and textiles	1,707,385
Metal manufactures and machinery	698,415
Fancy goods, jewellery, and musical instruments	308,032
Other goods	1,414,415
Primage	452,765
Total	£8,307,120

Of the foregoing specified items, spirits, wine, beer, tobacco, cigars, and cigarettes may be regarded as essentially of a revenue producing character and as such are recognized as subject to adjustment from time to time according to financial conditions and the general taxation policy. We therefore feel that we are not in a position to make anything more than a formal recommendation regarding the duties on those commodities.

Subject to the foregoing, we have, in coming to a decision as to our recommendations, borne in mind the probable revenue effect of the proposals made.

An estimate on this matter has been prepared, and is included as Appendix D hereto.*

Protection.

The Commission does not propose to deal with the general academic question of the relative advantages or disadvantages of protection as compared with free trade.

The tariff history of the Dominion shows clearly that the established policy is one of moderate protection, and as we consider that the continuance, extension, or reversal of this policy is a matter for the Legislature, the fundamental question lies outside the scope of our inquiry. As an endorsement of our attitude on this matter we quote hereunder from Professor F. W. Taussig in his work "Free Trade, The Tariff, and Reciprocity." Dealing with the functions of a Tariff Board under United States Law, he said (*inter alia*),—

> "It does not follow that a Tariff Board can be of no service whatever in guiding Congress and the country on the larger and more difficult questions of industrial policy. . . Let it be given mainly the function of assisting Congress in the intelligent elaboration of whatever policy the country has decided to follow, and make no pretence of removing the determination of policy from the quarter where in the end it necessarily belongs—Congress and the voters."

The Commission considers therefore that the determination of the appropriate tariff action in respect of each commodity or industry must depend upon the facts found to exist in relation thereto.

The rates of duty imposed for protective reasons and embodied in the existing tariff vary appreciably as between the different items. When these duties are imposed on an *ad valorem* basis, the highest rate usually charged under the British Preferential Tariff is 25 per cent. The protective rate most commonly inserted is 20 per cent. on goods of British origin, and in a lesser number of instances rates of

* Appendix D, being confidential, has not been printed.