

Effects of Devaluation on New Zealand

Let me refer now to the effects of the devaluation upon New Zealand. Payments by New Zealand for imports, dividends, and transfer of funds are at present at the rate of about 75,000,000 dollars a year. The future cost in New Zealand currency and in sterling, which is the same, will be about £26,750,000. That is what it would cost to buy the 75,000,000 dollars. Previously we could buy those dollars for £18,750,000. It will now cost us about £8,000,000 more. Of course, there are other things to be set off against that. Our present receipts in dollars amount to about 30,000,000 dollars a year, but a greater volume of business even at lower prices, combined with much less incentive for black-market operations, will tend to improve the position. It is not possible at the moment to know what the final effect will be, but imports from the United States and Canada to New Zealand are about 12 per cent. of our total imports, and because they have been generally restricted to items not obtainable elsewhere most of the dollar imports do not directly affect the standard of living of our people. There will, of course, be some indirect increases in prices of imports from sterling and other sources, which at this stage it is not possible to assess. For instance, if dollar materials are used in the manufacture of goods which we buy from any European countries or the United Kingdom, then at the new rate our payment for those goods would be more than if the dollars had been obtainable at the lower price. It is safe to say, however, that the over-all effect upon our economy may not be as heavy as it looks. That is not to say that the steep rise in the prices of particular commodities imported from the dollar areas may not be a cause for some concern. Nevertheless, it is generally considered that the decision to devalue was in the best interests of the United Kingdom and the sterling area. If decisive action had not been taken things would probably have gone from bad to worse. Dollar trade would have become chaotic and the United Kingdom would have been forced into deflation, with all the consequential hardship.

Some members will have had the privilege of hearing what Sir Stafford Cripps said the United Kingdom Government would not do: that it would not pander to the policy that led to unemployment in past years when these gaps have been experienced. He is asking the people of the United Kingdom to step up their production to help their Government to save them and the country from the consequences of the old type of recession or depression.

Mr. MACKLEY.—They are not out of the woods yet.

The Right Hon. Mr. NASH.—No, not one of us is out of the woods yet. Because we still sell most of our exports in the United Kingdom, our prosperity is bound up with that country, and the Government proposes to help the United Kingdom to the limit in its present difficulties.