

with the object of forcing up prices, then the Board can definitely state that profiteering in this sense has not been practised to any extent in New Zealand. For example, it has been alleged that some farmers have withheld their wheat from sale as they deemed the price obtainable insufficiently attractive. There may be individual cases where this has been done, but not on a scale sufficiently large since the Board has had control of wheat-prices to materially affect the position.

If, however, profiteering means taking advantage of the market to make money without any illegitimate manœuvring, it is certain that many dealers have made money by sales of stocks which were purchased cheaply and sold on a rising market, which goods, however, could not be replaced for sale even at the advanced selling-prices obtained.

The primary producers of the country have also been charged with profiteering, and undoubtedly the largest share of the record prices that have been received for our primary products has gone to the primary producer; but these prices have been determined by negotiations between the Imperial and Dominion Governments, and it is now a matter of common knowledge that the prices so arranged have been below the prices that could have been obtained on the London market had the shipping been available to transport these products across the seas.

In regard to butter, the consumer in New Zealand since the outbreak of war has never paid the export equivalent price. During the first two years of the war, by the voluntary action of the factories supplying the local trade, the local consumer received his butter from  $\frac{1}{2}$ d. to  $1\frac{1}{2}$ d. per pound lower than the export equivalent London price; and under the scheme which the Government sanctioned in October, 1916, the local consumer received his supplies at a price representing a saving to him of approximately £300,000. A similar saving was effected last year, and during the current year it is estimated that the consumers will benefit also to the extent of another £300,000. In its report of the 4th September, 1917, the Board estimated that the primary producers had sustained during the war period a monetary disadvantage of approximately £9,000,000 in regard to butter, cheese, meat, and wool. The meat-prices for local consumption have been based mainly on the price received from the Imperial authorities, and this represents an average reduction of at least 2d. per pound below London parity prices, always assuming that shipping is available.

#### RECOMMENDATIONS.

Unfortunately, the burden of rising prices is distributed unevenly over the community, and calls for the greatest sacrifice on the part of those least able to bear it. Those with fixed or comparatively fixed incomes, many wage-earners, a large portion of the small-salaried classes, many of the dependants of those at the front, find the increase in the cost of living during the last two years peculiarly onerous; but, while it is comparatively easy to point to a disease, it is not a simple matter to find a remedy. The Government has already taken power to fix prices, but this is a remedy that can be applied only with the greatest care. The danger of fixing prices for any commodity is that the supply may greatly diminish, if not cease entirely. The general rule should therefore be to avoid the fixation of prices unless the whole supply of the commodity is controlled; but when this can be done, the control should extend from the field of production to the point of consumption, as has been done in the case of wheat, flour, and bread. Intermediary charges should be limited to fair remuneration for services rendered. The main difficulty in this connection rises in respect to commodities produced in New Zealand that can be marketed both within New Zealand and abroad. In this category belong all our primary products—wool, meat, butter, cheese, hides, and skins. If a price is fixed for these commodities for consumption in New Zealand below the export value, those producers who supply the local market are placed at a disadvantage as compared with those who are allowed to export. This disadvantage engenders a feeling of dissatisfaction, and results in supplies being diverted from the local market to the export trade. Price-fixing alone is therefore not a remedy. Last year the Board of Trade, in attempting to regulate the price of butter, was driven by the logic of circumstances to recommend the Government to establish an equalization fund. While the incidence of the levy creating the fund may have been open to serious criticism, the Board respectfully submits that the principle of equalization is sound, and forms, in the Board's opinion, the safest method of easing the burden which falls upon our own population because of the war prices realized by primary products.

In regard to the commodities imported from abroad, it is impossible, as has been pointed out, to control the landed cost, but by an extension of the system of permitting import under license, on condition that the licensee sells at prices deemed reasonable by the Board of Trade, much can be accomplished to control profits. Indeed, the control of business profits is the crux of the problem as far as controlling prices of articles imported from abroad or manufactured in New Zealand is concerned. The precise determination of legitimate business profits for any undertaking is extremely difficult to assess, as allowance must be made for enterprise, risk taken, unusual skill in management. Every one knows that fortunes are made in industries strictly competitive, and are often to be ascribed to unusual business capacity. But the difficulty of assessment is not necessarily insuperable in a system of price-regulation. After all, only rough and approximate results can be expected. The Board suggests in this connection that the basis of "fair profit" during the war might be the pre-war profit in any given business, but power should be given to the controlling authority to vary this basis should the pre-war rate prove largely in excess of the general average or insufficient to encourage production.

The Board emphasizes the fact that the time has arrived to take steps to control the manufacture and sale of goods that might be considered as luxuries. Valuable labour is expended in the production of such goods, and diverted from the production of essential commodities. One of the surest methods of reducing prices of necessities is to increase their supply, and it is possible that much valuable labour now expended upon the creation and distribution of luxuries might be employed in the creation of a greater number of articles in common demand.

W. G. McDONALD,	} Members of the Board of Trade.
J. R. HART,	
P. HALLY,	

J. W. COLLINS, Secretary.