

1931-32.

1931-1932.

General level of prices.

The current financial year is likely to be remembered as a difficult one of economic readjustment, although a great deal has already been accomplished in this direction. Further, it would appear that we now know the worst, and that is half the battle, for there is no doubt that uncertainty as to what is going to happen is a powerful psychological factor in retarding trade and industry. It appears reasonably certain now that prices have reached bottom, and there is evidence of some movement in an upward direction. Economists in all countries, however, seem to be in agreement that prices will stabilize on a lower level than we have been accustomed to in recent years; but stability is the essential factor, for without that there can be no confidence in business. Given the foundation of stability, we have but to complete the task, onerous though it is, of adjusting our economic structure by bringing it into alignment with the new price-level, and then the way is clear for a revival of business and a general return to prosperity, which alone can provide a permanent remedy for the distressing problem of unemployment.

Public finances.

The public finances reflect the position of the country generally, and the restoration of budgetary equilibrium on a permanent and secure basis is a practical impossibility unless and until general economic equilibrium is restored. The Government's proposals have accordingly been aimed primarily at assisting the solution of the larger problem, which involves the adjustment of the finances of our farmers, the lowering of working-costs, both direct and overhead, and the writing-off of losses incurred. These adjustments are largely matters for private initiative, and the most the Government can do, short of a radical change in the economic system, is to give a strong lead and endeavour to prevent exploitation of the situation. For these purposes this House was called together for the special session held in March last.

ADJUSTMENT OF SALARIES AND WAGES.

Salaries and wages adjustment.

As honourable members are aware, the Finance Act, 1931, made provision for an all-round 10-per-cent. reduction in the salaries and wages of the Public Service, and provided authority for the Arbitration Court to review award rates of wages, taking into account the economic and financial conditions affecting trade and industry in New Zealand, and all other considerations which it deemed to be relevant. This authority was exercised by the Court, which, after hearing all sides of the question, came to the conclusion that a 10-per-cent. reduction in award rates was necessary to enable trade and industry to carry on and provide employment for the workers. It further reached the conclusion that the reduction ordered could be made without impairing the standard of living. This is borne out by the index figures of the Government Statistician, which show that between May, 1929, and May, 1931, the "all groups" index declined from 60·9 per cent. to 48 per cent. above July, 1914—a fall of about 8 per cent. In the same period the food-group index fell from 47·5 per cent. to 24·8 per cent. above July, 1914—a fall during the period of over 15 per cent. In general, the effect of the world-wide fall in prices was that the purchasing-power of money was increased. This being so, if the country could have afforded to allow money wages to remain unaltered, it would have meant that real wages would have been increased. The Government would have been very pleased indeed if the standard of living could have been raised in this way, for cutting wage-rates is neither a pleasant nor a popular task. The hard facts are, however, that the money income of the country as a whole is substantially reduced, and the question was whether a steadily decreasing number of men were to receive higher real wages while a large and increasing number of their fellow-workmen were to have no wages at all, or whether real wages were to be kept at the same level as heretofore, with a consequent revival of business and more employment. It will thus be seen that a reduction in money wages is not only essential for the economic recovery of the country, but is in the real interests of the workers as a whole. It is not the money wages, but the purchasing-power received by the workers, that is the important factor. If money wages and prices are both reduced the worker in employment is no worse

Cost-of-living index.

Real wages maintained.