

of £90 m. This gives a further reduction of £11 m. It is well known that the building industry alone has suffered severe contraction, and we may put its loss at £6 m., which amounts to 60 per cent. of its operation in 1929. For all other industries, including factory production, transport and professional services, a loss of £6 m. would not be an excessive estimate. The total of these losses is £41 m., thus bringing national income down to approximately £110 m.

**Summary.**

24. We conclude, therefore, that national income has fallen from £150 m. in 1929 to £110 m. at the present time, that the fall is still proceeding, and will reach approximately £90 m. if adjustment is made on an exchange rate of 10 per cent., unless export prices rise or there is a substantial expansion of internal production. The gravity of the situation as portrayed by these figures demands a consideration of the distribution of the loss of income. We proceed in Section IV to consider this problem.

**SECTION IV.—THE DISTRIBUTION OF THE LOSS OF INCOME, MONEY AND REAL.**

**Export Producers' Loss of Real Income.**

25. We have found that export producers have incurred a money loss of overseas income of £23 m. in sterling prices and £20 m. in New Zealand currency. This is not their only loss. In paragraph 12 (Section II) it was shown that the total value of farm production in 1929 was £82 m., while the estimated value at the end of 1931 was £54 m. This is a loss of £28 m. in New Zealand currency. It is not, however, the loss of real income to export producers. Costs and wholesale prices have fallen by approximately 10 per cent. Therefore export producers could have suffered a reduction in money income from £82 m. to £74 m.—that is, a loss of 10 per cent. without suffering any real loss. It follows that the loss of real income now borne by export producers is expressed by a purchasing-power of £20 m.

**The Unemployed.**

26. We have estimated the total loss of money income at the present time as £40 m., of which £28 m. has fallen on export producers. Another section of the community severely hit by the loss of income is the unemployed, the total amount of whose loss it is difficult to assess. A rough measure can be devised if we assume that no fewer than thirty thousand additional workers have been thrown out of employment on account of the economic depression. This is approximately 60 per cent. of the total unemployed at present. These thirty thousand unemployed are being supported to the extent of about £1·5 m. from the rest of the community. Normally their combined income would be not less than £5 m. Hence at least £3·5 m. of the loss of income has fallen upon the unemployed.

**Wage-earners and Salaried Workers.**

27. The reduction in wages, the decline in profits, higher taxation, and the contraction of output account for the balance of the loss. In many of these cases, however, the money loss has been insufficient to impose any appreciable loss of real income. As the cost-of-living index has fallen 11 per cent., a reduction of money income of anything less than 10 per cent. may leave the recipient in much the same position as in 1929. This is true of most wage and salary earners in full work. For the most part the reduction in money income in these groups has been less than the fall in the cost of living. These statements must be qualified in so far as wage earners and salaried workers require to meet interest and other fixed charges on house property.

**Recipients of Fixed Incomes.**

28. We have been unable to make a close estimate of the total amount of the national income that is paid in fixed money claims, which include rents on long-term leases, interest on the public and local-body debt held internally, interest on mortgages, interest on banks and saving-banks deposits, and interest on debentures and preference shares. Nor have we been able to estimate the reductions that have taken place in the interest paid on these several classes of investments. Apart from renewal of securities at lower rates, no reduction has taken place in interest on the public and local-body debt held internally and amounting to £9 m. per annum. This is a substantial proportion of the total interest burden, probably not less than one third. In many cases interest on mortgages is not being fully paid or concessions have been granted by the mortgagee. Some reductions have also taken place in bank-deposit rates, and as existing contracts expire the total amount of interest paid on bank deposits will decline by from 10 per cent. to 15 per cent. Reduction of interest by  $\frac{1}{2}$  per cent. on public borrowing was arranged from the 1st August, 1931. Additional taxation to the extent of £0·5 m. was imposed on recipients of investment income, which includes incomes from dividends on shares as well as fixed interest. But over the whole field of interest the reductions at present have been far from sufficient to relieve industry from the additional burden of fixed charges imposed by the fall in prices and contraction of output. It is part of the problem of the distribution of the loss of income to spread the burden as equitably and rapidly as possible over this element of income as well as other elements. When this process has been completed costs will be reduced, the loss of national income will be distributed over the whole people, and unemployment will be relieved.

**Necessity of Speedy Adjustment.**

29. We return to this problem in Section VII. The greater the total money loss of national income the more difficult it will be to secure a speedy and equitable distribution of the loss. Thus, if parity\* of exchange were restored, the money loss

\* See Addendum by Mr. Park.