

Although the exporters' income is determined by prices overseas, my experience has been that the internal price-levels are not determined by prices overseas. It is determined by all sorts of things internally, and therefore we have disparity between an income based upon external prices to meet the very inflated or increased internal prices you have got now?—I have said that already. We have spoken quite a lot about what we may call the rigidity of our cost structure. That is our position; we have an internal cost or price structure which is relatively rigid, while our external one is relatively fluctuating. That is our trouble.

How can cost go down unless you take money out of circulation?—It can.

The Chancellor of the Exchequer says it cannot?—I will take leave to disagree with the British Chancellor of the Exchequer, because it can go down, even if the circulation of money is increased—namely, through greater efficiency.

Could wages go down?—Not necessarily; they may go up higher. The Chancellor of the Exchequer was incorrect if he said that; it is contrary to experience.

If you like to read the report of the World Conference, he made a statement there?—Well, he made a mistake.

Do you not think you are making a mistake?—I do not think so. One of the beneficial effects of the application of science and invention to industry is to enable production to be undertaken at much lower cost; but that does not necessarily involve a lessening of the amount of money in circulation.

If you take away costs, you take away some-one's income, and then they cannot spend?—You are on to an entirely different set of arguments. I was speaking of one of the beneficial effects of the application of science on industry.

I am talking about taking New Zealand as a running concern, as it is to-day. What costs would you reduce?—At the present time? I would like to see interest come down.

We have reduced costs in this country fairly considerably, this last two or three years. Has that been a good thing for the country?—Yes, in the circumstances; in this sense (we must be very careful to see that neither your questions nor my answers are taken out of their context): a higher level of costs would certainly have promoted a wider degree of insolvency than exists at the present time. I think that the devices which have prevented a wider spread of bankruptcy have been in the main beneficial. I find it difficult to believe that the thorough-going bankruptcy of New Zealand would have been a good thing; but I quite recognize that there are some people who think that that would have been the best way to get back to normal.

Putting up the exchange-rate did not reduce costs?—Not necessarily. It might tend to raise some of them.

Getting back to the question of internationalism, I notice that Major Elliot, the Minister of Agriculture in Great Britain, speaking in the House of Commons, made a statement that they put 1,100 people on the land in Great Britain in the last six years. It was black treachery to put them there, and it was black treachery to those who were there, until they had a guaranteed market. If it is black treachery to put people on the land in the Old Country where there is a market at the door, it does not seem to be a good outlook here?—It seems to me to be inadvisable to put people on the land here or to encourage production if we are certain that the markets for our products are restricted or lowered.

By a process of true reciprocity we are able to arrange a price for our exports?—That may be a very good idea.

Or we are to fix an internal price-level here to give them the income?—I do not think that is possible.

The present thing is breaking down?—What do you mean by breaking? It is pretty badly bent.

The farmers, and the nation, and some of the local bodies are in a very serious position financially?—We remain solvent by not paying our debts; that is the position.

That is not satisfactory is it?—No; it is a transitional phase, of course.

*Mr. Murdoch.*] There is one point you make in your statement about the co-ordinating of companies. You suggest that they should have a Board?—Is that the Investment Board?

Yes?—It was a very qualified approval, was it not?

I took it that the notion you had was that it would be advisable to set up a sort of Advisory Board or Inspecting Board if you like?—Is that in reference to a question asked me by Mr. Massey, or in reference to a question in the questionnaire?

It is a question in the questionnaire?—The question in the questionnaire was whether I thought it would be advisable to set up a Board to advise the investing public on the economic merits of any proposal, and my answer to that was that I favoured the principle but doubted the possibility of getting a competent personnel outside the Associated Stock Exchange, and doubted whether it would be wise to constitute that Stock Exchange a judicial body, seeing that they were tied up financially in the decisions which they would have to make. I would like to see it done if it could be done.

The point I see is the danger of any Board or any representative of, say, a Government institution "OK-ing" any proposal?—Yes; that is very dangerous. It might kill the Board and prevent anybody being willing to go on to it.

A public-works policy was tried in Great Britain to relieve the unemployment situation and it has been definitely turned down now as not being feasible or satisfactory?—Somehow or other I feel that the question of embarking upon a public-works policy in New Zealand should not really be investigated as an isolated proposal but should be linked up to a much more comprehensive investigation as to what are the possibilities in New Zealand of enterprises of all sorts, and on a basis of such a comprehensive investigation to decide what would be the proper sphere, if any, of a public-works policy and what the proper sphere for the encouragement of private enterprise.

I assume, from your statement, when you say you want to encourage production in other than primary industries, that the indication given is that you would suggest that we promote more of our