

" But the Government has for some months been anxiously aware that its control measures are no longer adequate. Pressure by economic interests for increases in the prices of their products is becoming more and more insistent. Hitherto manufacturers and traders have been absorbing much of the increase in their costs, but their profit margins are narrowing and the process cannot go on much longer. Effective price-control is becoming difficult; and already the phenomenon of the 'black market,' with all its demoralizing consequences, has begun to appear.

" Why are these things happening? The answer is simple. Our people are working harder and earning more money, but the supply of things they can buy is not increasing. It is growing less because of the inexorable needs of war. Since 1939 the national income has increased by about £50,000,000, but the supply of goods people can buy has decreased by more than £40,000,000—that is, the gap between the supply of goods and purchasing-power is of the order of £100,000,000. This excess of purchasing-power has begun to swamp our price-controls. The inescapable alternatives before the Government are to turn off the stream at its source or to let events take their course—and the course will be inflation and the destruction of all that we have attained in the way of social security. For inflation means economic insecurity for every one except the small minority of wealthy persons who have the means to make profits out of any monetary upheaval. The duty of the Government is plain, and it will not flinch.

" We are going to do two things, each of which will depend for its success on the other. We are going to extend the policy of stabilizing the prices of a large group of the essentials of living and we are going to stabilize individual rates of pay. You will recall that, in addition to the general measures that were brought into force on the very night war was declared to restrain any undue rise in prices, there have been a number of commodities and services which have been fixed in price. There are at present thirty-eight of them, and by various means their prices have been kept fixed. The only exception was that a rise of 2d. was allowed in the price of eggs. Now the list of stabilized commodities is to be greatly increased. There will be 110 items in all, and the purpose of the Government—indeed, the determination of the Government—is that the prices of these taken as a whole shall remain stable. If there are any variations—and we shall do our utmost to prevent any—then a rise in one will be offset by a fall in another. The whole purpose of this is to ensure that over this range of commodities and services, and they are all very important in every family, the pound will buy the same next month as this month and the same next December as this December. I will not read the full list of commodities that will now be covered, but it includes a wide range of groceries, dairy products, meat, some fresh fruit and vegetables, fuel and lighting, clothing, footwear, drapery, furniture, and a large number of miscellaneous articles which all of us have to buy. I think that when you see the list you will agree that it is surprisingly large and comprehensive. There are no luxuries in it, but it is not the business of our Government to make it easier for people to buy luxuries in wartime.

" We are also taking care to ensure that the purpose of the plan is not frustrated by 'profiteering' and 'black marketing.' The penalties for these offences have been made very severe, with minimum fines as well as maximum for both individuals and companies, and provision for imprisonment as well as fines and confiscation of the goods concerned.

" The great majority of those commodities which will be fixed in price are made in New Zealand. They are produced with the skill and labour of New Zealand workers using New Zealand materials, power, and transport. The cost of labour and materials, and also the rents of business premises and land, determine prices; therefore when we wish to keep the prices fixed we cannot do it without fixing within narrow limits the price of labour, which is wages, and also the level of rents. The one cannot be kept stable if the other is unstable. Therefore we must stabilize wages and rents. This is the main part of the decision of the War Cabinet and the Government, which I am announcing to-night. There will be detailed explanations published in the newspapers to-morrow by the Hon. D. G. Sullivan, the Minister in Charge of Stabilization. My purpose is to tell you the nature of the decisions and to explain their importance.

" You will be thinking why should wages be stabilized? Isn't everybody in this?

" Yes, ladies and gentlemen, everybody is in this. Stabilization applies to all rates of remuneration, including time and piece wages and overtime, allowances, fees, commissions, travelling-expenses, and directors' fees. Not only wages and salaries, but all incomes have been or are to be stabilized by one means or another. The price the farmer receives for all the main farm products, many of them stabilized now, will not be increased. This means, in effect, internal prices divorced from export parity and any excess will be paid into pool accounts. The major items of farmers' costs will correspondingly be held and the cost of holding them will be debited to the appropriate accounts. The incomes of companies and individuals are held down through the combined operation of income tax, excess-profits tax, and price orders. No classes of persons are able to say truly that the war measures of the Government leave them untouched, and no classes of persons should be able to say it.

" But, you may ask, why is all this necessary now? Why cannot we go on doing without it? The reasons are all round you. We have a small country making a great war effort. That is acknowledged by everybody.

" We are making a great effort for the war militarily and economically. Vast supplies of commodities are required for the armed services. We therefore have less with which to provide for ourselves. There is no escape from that; but what we can do is to ensure that what we have left after war requirements have been met is equitably distributed; that labour and materials are used, first of all to produce essentials, and that nobody goes short of those essentials. That is the purpose, and the sole purpose, of the measures I have announced. They are war-time measures, made necessary by the war and essential if we are to continue to play our full part in the war.

" I wish to stress again the interdependence of these two measures. It will not be possible to hold down the prices of essentials in the shops unless rents and incomes of all kinds, including wages, are held down, too. It would not be possible, and if it were possible it would not be fair, for the object, let me say again, is to fix the purchasing-power of the pound in so far as it is spent on buying essentials. The plan might be called a collective bargain which the community is to make with itself. If the prices do not rise, then wages will not. If prices of essentials rise, then wages must rise also. The two are to be tied together. If, therefore, there is a marked fluctuation in prices after a period of three months, provision has been made to offset it. In general, what has been decided is that if the average prices of the whole group of essentials rise by more than 2½ per cent., then the Arbitration Court will