

the channels of competition free and open to all, so that the man with small capital may engage in business in competition with powerful rivals, assured that he may operate his business in competition with his rivals free from harassment and intimidation, and be given a fair opportunity to work out his business problems with such efficiency, industry, and intelligence as he may possess.

Part of the work of the Department of Industries and Commerce should be particularly the development of new industries, and for these purposes and under proper safeguards the Department should be empowered to make advances to proposed undertakings by way of loan, or to take shares, or become partners, or afford such other encouragement as it may deem expedient. In the exercise of this power it might be made a condition precedent to financial assistance being given to an industry that it should be conducted on particular lines—that labour should be given a voice in its management; that the conditions relating to employment should be such as to conduce to the social uplifting and to the moral welfare of the workers.

By direction of the Hon. W. D. S. MacDonald, Acting President of the Board during the absence from New Zealand of the Right Hon. W. F. Massey to attend the Peace Conference, the Board has had prepared a Bill embodying the recommendations herein set forth.

SECTION VI.—COST OF LIVING.

Even if the recommendations mentioned in the preceding sections are carried into effect they will not prevent fluctuations in the general level of prices, and therefore will not alone solve the cost-of-living problem. The problem of the rise in the cost of living has two aspects:—

- (1.) The number of units of value—*i.e.*, purchasing-power—in the yearly income; and
- (2.) The quantity of things in general each unit will buy.

An inquiry into the former of these is strictly part of the problem of the distribution of the national annual dividend. The latter is the real cost-of-living problem.

It is not proposed to discuss at length the problem of the distribution of wealth further than to point out the relative fixity of the number of units of purchasing-power of the incomes of various classes of the community. A rough analysis of the various classes of income-receivers in the community, classified according to the relative fixity of their incomes, and therefore according to the effect produced upon them by changes in the quantity of things in general each unit of income will buy, is as follows:—

- (a.) Classes with fixed incomes.
- (b.) Classes with slowly changing incomes.
- (c.) Classes with incomes mobile.

Given a fall in the purchasing-power of each unit, those persons with fixed incomes will lose by a decrease in the purchasing-power of each unit; those classes whose incomes respond slowly to change will suffer for some time at all events, and continue to suffer until their incomes are adjusted in such a manner as to neutralize decreases in the purchasing-power of the unit, while those whose incomes are mobile—*i.e.*, respond readily to the change in the purchasing-power—will gain at the expense of all other classes.

The first class is composed of all those persons drawing incomes from investments, whether such investments are in the form of Government bonds, mortgages, debentures, or other security with fixed interest charges; persons whose salaries are fixed by statute, as, for example, Supreme Court Judges, Cabinet Ministers, members of Parliament, the higher classes of the Civil servants, the professional classes whose charges are fixed by custom; and all annuitants and pensioners, including old-age pensioners and military pensioners.

The second class comprises the great majority of Civil servants, most wage-earners whose wages do not automatically follow prices, but lag behind the general price-level.

The third class comprises those whose incomes are obtained directly from the sale of commodities, comprising in the main the commercial and farming sections of the community, as their costs do not rise or fall commensurate with prices on account of the fact that, as a whole, part of their costs consist of fixed interest and rent charges.

Neither a stable high price-level nor a stable low price-level is disadvantageous to the community as a whole, but the change from one level to another, inasmuch as it automatically transfers purchasing-power from one section of the community to another, generates social friction, industrial unrest, and a sense of injustice, as the history of price-movements in the past amply demonstrates. During the last century price-movements have been most carefully recorded, and show many ups and downs. The most complete statistics, those of Sauerbeck, are for England. Between 1789 and 1909 prices rose rapidly, the index numbers for the respective years being 85 and 161—that is to say, the price of “things in general” practically doubled in twenty years. Between 1809 and 1849 prices fell from 161 to 64, a reduction of about three-fifths. (The index numbers for these periods are Jevons’s.) Between 1849 and 1873 prices, measured by Sauerbeck’s index numbers, rose from 74 to 111—that is, by about one-half. Between 1873 and 1896 prices fell from 111 to 61 (Sauerbeck’s index numbers), a drop of approximately 46 per cent. From 1896 to August, 1914, was a period of rising prices, the increase being approximately 35 per cent. in England and 50 per cent. in the United States. From August, 1914, to date the upward movement has been most marked, as the following table will show,