

Occasionally we get bad seasons, sometimes a succession of them; but, taking all things into account, over a period of years we will find that in this country, with its favourable climate and fertile soil, the results are quite satisfactory. There are causes quite apart from the climatic conditions and yield which are liable to act detrimentally on trade and commerce generally. Not the least of these are matters pertaining to money and finance. It does not seem to be sufficiently recognized how important these matters actually are. In the absence of a better one, money is still the medium of the world's exchange, and consequently a dominant factor in the progress of its civilization. What contributes to depreciate or derange the currency must needs retard progress and bring with it economic setbacks and even distress. From time to time economists sound a note of warning against the evils of inflation, which are too often painfully exemplified by depression, unemployment, and chaotic trade conditions. Not only do the warnings pass unregarded and are the painful lessons too soon forgotten, but inflation is foolishly encouraged because it tends to create for a time a fictitious prosperity. An unsatisfactory modern development is found in the time-payment or instalment system of buying and selling, which tends to encourage unjustified spending by those whose needs exceed their resources, and which, of course, further increases the evils of inflation. It cannot be overlooked that the instalment plan has extensively increased in recent years, and not only shows no abatement but will probably remain a permanent institution of finance and a very real part of our economic structure. It is conceded that protracted payments are advantageous in extending legitimate enterprise—as, for example, where lands, farming-implements, motor-lorries, &c., are purchased for productive purposes. It is, however, somewhat alarming to see to what proportions the increase in the time-payment system is swelled by the purchase of furniture, musical instruments, radio sets, motor-cars, and other articles of luxury. The danger of the instalment system lies in the following directions:—

- (a) The acquiring of articles involving a heavy upkeep, especially during the period of payment of the purchase-money;
- (b) The purchase of articles of short-lived utility, which do not greatly outlive the period over which payment is spread, or of articles in the nature of luxuries;
- (c) The application of an unduly high proportion of the purchaser's available income, leaving an insufficient margin for contingencies.

In advocating the system it is urged that “the purposes of an economic system are to bring into existence the largest quantity of saleable goods and to transfer them out of the industrial system into the houses of private individuals as fast as they are made.” It is said that the instalment plan of purchasing merely facilitates this transfer, and without it the standard of life of large numbers of people would be considerably lowered. It is not denied that the doctrine of “produce more and consume less” can be taken too far, resulting in harmful reduction in the standard of life of the community. Nevertheless, the extension of consumption must ultimately be limited to the purchasing-power of the people, and experience shows that the only way to bring about real prosperity is to produce more for export, for goods represent the real wealth of any community. Lavish and extravagant expenditure, and financial expedients and facilities which are employed for the gratification of pleasure and increase our indebtedness without increasing production, only go to jeopardize our prosperity. Economic saving, regulation of expenditure within our means, and increased production, especially here in New Zealand in our primary industries, alone will help us to maintain our hitherto fortunate position. Years of prosperity are inevitably followed by years of leanness, and therefore we should so husband our resources as to be able to provide for ourselves and meet our commitments in times of stringency as well as in those of success. We are too prone in prosperous periods to dissipate surplus profits in a needlessly lavish way without making provision for bad times in the future.

In previous reports I pointed out the efforts which are being made in the administration of farming, business, and other classes of estates under the control of the Public Trustee, wherever possible, to increase the earning power and at the same time legitimately to limit the expenditure and the cost of production.