

of production and trade must depend upon improvements within business itself and upon the efforts of those engaged in business; little help can be expected from outside. And those improvements are most likely to result from the application of internal economies in production and marketing, from better technical organization, fuller scientific knowledge, the steady accumulation of capital, the increased efficiency of labour from co-operation, good-will, and good management.”—(Bulletin No. 19, August, 1926.)

“The most cursory survey will show that this expansion (*i.e.*, overhead costs) has been very considerable, and though the statistics available are far less complete than might be wished, there is ample evidence to indicate that the dead weight burden of heavy and often unremunerative overhead charges is a factor seriously hampering economic recovery in the Dominion.”—(Bulletin No. 33, October, 1927.) See also *Accountant's Journal*, January, 1928, in relation to overhead costs.

This latter bulletin should be carefully considered, not only in relation to the problem of overhead costs in both farming and urban pursuits, but also in relation to the general problem of arbitration. I feel that it is fair comment to draw attention to the inconsistency which appears when, in bulletins relating to the effects of industrial arbitration, notably Nos. 27, 28, and 30, it is clearly implied that the Arbitration Court is the main factor in such price disparity as exists. I find it difficult to understand the concentrated attack on the Arbitration Court and the neglect of factors such as over-capitalization, duplication, taxation, &c., making for an expansion of overhead costs, in this connection, in view of the clear recognition in other connections, of the importance of such costs. The same applies to the neglect, when considering the Court as a factor in the present depression, to place sufficient stress on over-importation and its effects on banking and credit, despite the very clear exposition of the relationship of over-importation to depression in other bulletins in the series.

V. METHOD OF ALLEVIATING THE PRESENT DEPRESSION.

It is clear, of course, that there are no panaceas; no short-cuts to recovery. The following methods of alleviating the present position are suggested diffidently, and rather with a view to indicating lines of further inquiry:—

(1) The first essential seems to be to place agriculture on a sounder footing. I would suggest as the prime conditions for this—(a) A considerable improvement in rural credit machinery with a view to providing both long-period and intermediate credit to agriculture at a cheaper rate and by better methods. Long-period credit should be devoted, in the first instance, to renewing existing mortgages at a lower rate when they fall due; (b) a cheapening in agricultural supplies by a reduction in the tariff on agricultural requisites and in retail distributive charges. These are matters for thorough investigation.

(2) The whole problem of retail distributive charges should be carefully investigated with a view to discovering means to reduce them.

(3) Budget surpluses in good years should be used wherever possible to reduce the burden of debt in order to permit a progressive reduction in taxation. The distribution of taxation should be investigated in relation to its economic effects and incidence, with a view to remedy.

(4) Government borrowing should be confined, as soon as practicable, to capital works which are likely to bring in a money return sufficient to meet interest and redemption charges within a reasonable space.

(5) Banking policy should be more elastic and should be directed towards a greater stability of credit than at present exists, by attempting to discourage boom conditions and over-importation through the manipulation of interest rates. (See Report on Unemployment, p. 6.) This, together with other methods suggested in the accompanying report on unemployment should mitigate the severity of the trade cycle as it is transmitted into this country.

(6) It seems that combination and amalgamation of businesses in certain branches of industry is highly desirable because of the relative inefficiency of the small firm; and that, while the interests of worker and consumer must be carefully safeguarded such amalgamation should be encouraged. New Zealand will never be able to compete effectively with British, American, and European manufactures as long as industry is conducted in small factories in each of which a multitude of processes is performed. Amalgamation might be expected to reduce duplication and increase specialization, which would be all to the good.

(7) In my view, some gradual reduction of the tariff is desirable, in order to force those economies in production which are at present largely lacking. At present, the tariff tends to shelter the inefficient businesses, and the community pays. I believe many of the larger and more efficient firms could manage with a lower tariff. In suggesting this policy, I am aware that the weaker firms would suffer and the stronger firms gain by tariff reduction; but despite incidental injuries and disadvantages, a progressive tariff reduction is to be commended on grounds of general welfare and productive efficiency.

VI. POINTS FOR CONSIDERATION IN REFERENCE TO INDUSTRIAL CONCILIATION AND ARBITRATION.

It will be seen from the foregoing that many of the criticisms levied against the Arbitration Court are untenable; further, even where criticisms are, in fact, justified there are reasons for believing that they would apply equally to conditions which would result from the abolition of the Court, or that other socially undesirable conditions of equal or greater importance would arise.

Nevertheless, it is not argued that the system in New Zealand is perfect, or that some benefits might not accrue from revision or the provision of alternative methods. I very diffidently make the following suggestions:—

(1) The desirability of fixing a minimum wage varying with the cost of living, but related to family responsibilities by a system of family endowment, should be affirmed in principle. The basic rate and the scale of endowment should be determined at a later date after careful investigation.