

The Arbitration Court has a further potential value as a means of educating the public and of collecting and circulating accurate information of a type that is becoming more and more essential if business is to find a firm basis on which to make its forecasts of the future. There is scarcely a problem to-day for the solution of which a greater measure of publicity and more accurate and general knowledge of the bare facts would not be of the utmost value. So far little has been done in this direction in connection with our Court, but this is a field of work which could with advantage be explored.

Compulsory Arbitration and Economic Welfare in New Zealand.

Paper read by Professor A. H. TOCKER, Canterbury College.

Professor Tocker : Mr. Chairman and gentlemen, like those who have preceded me, I would like to say that my paper is an attempt on the part of an academic person to diagnose some of the economic ills from which the country is suffering, and to try and find out what share of those ills is due to our compulsory arbitration system. We have approached the subject along different lines. My approach has been on the lines of a very close study, extending over a number of years, of New Zealand industrial statistics ; and these statistics show a drift for which I hold the Arbitration Court largely responsible. I appreciate very highly, I wish to state, the statistics provided for us in regard to industrial matters by the Government Statistician's Department. Josiah Stamp said once that 90 per cent. of politics is economics and that 90 per cent. of economics is statistics. The Government Statistician is, I know, doing his best to provide us with statistics to throw light on this problem, and I think his efforts deserve the fullest support.

1. *Agenda*.—The proposed agenda paper submitted to members of this Conference suggests, amongst others, these points for discussion :—

(a) The effects of the present system of industrial legislation on (1) The welfare of the country ; (2) the interests of employers ; (3) the interests of the workers.

(b) The effect of the present system of industrial legislation on the primary industries of the Dominion on which the prosperity of New Zealand ultimately depends.

These are the major issues before the Conference. It appears that decisions regarding the minor points which follow in the agenda paper must necessarily be based upon conclusions formed concerning these major and broader issues. In this paper, therefore, discussion will be confined largely to important factors bearing upon the general welfare of the Dominion, and to the effects of the present system of compulsory arbitration upon that welfare.

2. *Recent Changes*.—The events of recent years have made the problem of industrial relations acute in many countries. Before the war conditions changed relatively slowly, and customary methods answered well enough for the slight adjustments required from time to time. The war and post-war years brought great changes in price-levels, in industrial organization, and in the nature and direction of production and trade. These have necessitated big adjustments in wages and labour conditions, and have taxed severely the machinery for industrial negotiation. In New Zealand the general level of wholesale prices more than doubled by 1920, but by 1927 it fell to about 75 per cent. of this high level. Marked changes have occurred in many industries : some have expanded, while others have declined. Changed and changing conditions have raised new and important questions in industry, trade, transport, and migration, and much maladjustment and dislocation has occurred. During 1926 and 1927 in particular, after the prices of our exports had fallen 20 per cent. below their 1925 level, a measure of depression spread throughout the Dominion, unemployment became acute, and closer attention was directed to the search for weaknesses in our economic organization.

3. *Our Industrial Structure*.—The problem of industrial relations cannot be examined effectively in isolation from the industrial organization of which it is a part. The chief object of economic organization is to support and improve the economic welfare of the community in general, and the machinery for negotiation between employers and employed must be judged in the light of its effects in furthering or hampering the attainments of this object. A necessary preliminary, therefore, to the examination of our arbitration system is some analysis of our industrial structure and of the part played in it by arbitration. Such analysis might also throw light on recent changes and on the causes of more recent depression.

A useful approach to the analysis of our industrial structure is afforded by the statistics of production published annually in the Year-book. These statistics, for the latest year available, 1925–26, estimate the value of net production at £116,000,000. The estimate omits the value of some distributive and other services, and possibly of certain goods as well. The total value of production, of both goods and services, or, conversely, the total national income, is probably between 20 and 40 per cent. greater than the official estimate of production—that is, from about £140,000,000 to £160,000,000. Of this total an extraordinarily large proportion—say, 34 per cent.—is exported. 94 per cent. of the exports are provided by the pastoral industries producing wool, meat, dairy-produce, &c., and most of the remaining 6 per cent. by other primary industries.

4. *Industries and Markets*.—The products and services which make up the total national income all have to be marketed, but they are sold in different markets, and under conditions which differ widely. Further examination of their marketing conditions leads to significant conclusions. Official figures state the total product of the big pastoral industries as £64,000,000, or from 40 to 46 per cent. of the total national income. Most of this amount is exported and sold in overseas markets, where world competition is met, and world prices must be accepted. The pastoral industries are therefore termed unsheltered. They cannot control the prices received for their products in overseas markets, and must therefore adjust their local costs of production and marketing to the world levels of prices they receive.