

## SECOND SESSION

OF

# NATIONAL INDUSTRIAL CONFERENCE.

WEDNESDAY, 18TH APRIL, 1928.

The Conference resumed at 10 a.m., Mr. A. D. Thomson presiding.

*The Chairman:* The first item of business this morning is the paper by the Employers' Federation, to be read by Mr. Bishop.

### Paper submitted by the New Zealand Employers' Federation.

*Mr. Bishop:* Mr. Chairman and gentlemen, I am sorry that the paper is rather a lengthy one, but we have quite a lot of members in our organization, and they all have their views on the subject. I am sure you will therefore recognize the difficulty of condensing those views in order to bring them within the compass of a short paper. But there is this atonement for the length of the paper I have to read: the Manufacturers' Association has accepted it as an expression of their views also; so that you will not have another paper from that section.

At the outset it is necessary to emphasize that the real question for this Conference is not an inquiry into the working of the Arbitration Act, but into the methods by which the costs of production and distribution in this era of a slow but steady fall in prices can be reduced with the minimum of industrial loss and disturbance. This is a universal problem which all nations throughout the world have to face.

During the war the purchasing-power of the various nations, previously measured by their national incomes (the aggregate of the individual efforts of their citizens), was enormously increased by national borrowing. The extent of this can be appreciated by the fact that in four years and six months the English national debt was increased by some £8,000,000,000. In England and America this borrowing was effected legitimately by the sale to the investing public of national stocks carrying interest; in some of the European countries it was met by the issue of paper money. This latter method amounted to a forced loan, and is probably in the long-run the most unjust and expensive method of borrowing. The expenditure of these loan-moneys created an abnormal demand for commodities, and hence in the absence of an increased supply, due to the employment of so many in war operations, prices rose enormously. In the British Empire the increased number of transactions and volume of business required an enlargement of the currency, and, in order to meet this legitimate demand and to conserve the Empire's stores of gold, paper money had to be issued in large quantities. On the Continent the legitimate demand for an increase in the currency was greatly added to by the use of paper money in lieu of asking for loans. For a short period after the war there was a period of intense business activity, due to the various nations endeavouring to get back to normal and to reinstate or erect buildings, plant, and materials destroyed by or not erected during the war. The demand for commodities thereby caused, and the removal on the conclusion of the Armistice of all patriotic feelings which had checked industrial greed, produced a further rapid rise in prices. Suddenly the world was faced with the real position. Nations could no longer borrow money, owing to the scarcity of capital; rates of interest even on national loans had become prohibitive; national expenditure had to be brought within the limits of national revenues; the limits of taxation had been reached by those nations who were not continuing a policy of forced loans effected by constant issues of a depreciating paper money. The inevitable consequence was a tremendous fall in the purchasing-power of nations throughout the world. The decreased demand for commodities caused thereby immediately led to a heavy fall in prices. This was accentuated by the existence of large stocks of many important commodities accumulated by the British Government in the expectation of the war lasting longer than it did, and which, being no longer required, were thrown on the market to be sold in competition with commodities being produced. No better example can be had of this phenomenon as regards Australia and New Zealand than the position of the wool-market in 1920. Low as were the prices realized then—5d. per pound for coarse crossbreds—the price would have been lower and would have continued low longer if Bawra had not been established to deal with the British Government's stocks of wool. The point one desires to make, however, is that, so far as the British Empire was concerned, deflation of the currency did not bring about the post-war collapse. It was the cessation of the abnormal war expenditure and the consequent limitation of national expenditure to