

In considering the position of New Zealand it has always to be remembered that this country is a debtor country—that is, it is a country which has to meet each year interest payments abroad. At a high price-level a smaller proportion of exportable goods is required to meet the interest burden than is the case where there is a low price-level. A high price-level in England reduces, and a low price-level increases, the burden of our overseas debt. An increase in overseas prices of our exports of, say, 10 per cent. causes more than a 10-per-cent. increase in our overseas income—that is, in the fund available after payment of interest for the purchase of imports; similarly, a drop of 10 per cent. reduces the fund available for imports by more than 10 per cent.

Taking a broad view, prices in New Zealand moved steadily upwards from 1900 to 1914; they then shot up rapidly, and remained high until 1930. Taking as an illustration the figures in respect of wholesale prices (1909–15 = 1000), the index for 1900 was 899 and for 1914 was 1053. By 1918 it was 1705, and in 1920, 2092. For 1930 the index figure was 1449.

Export prices (which, as already stated, profoundly influence prosperity in New Zealand) rose gradually from 1900 to 1914. From then they ascended steeply to 1920, dropped heavily in 1922, and recovered between 1923 and 1929. In 1930 a tremendous drop commenced. The following table, which takes the year 1909–13 (1000) as a base, illustrates this movement:—

—			Calendar Years.	June Years.	—			Calendar Years.	June Years.
1909–13	..	..	1000	..	1925	..	..	1893	..
1914	..	..	1089	..	1926	..	..	1540	..
1920	..	..	1806	..	1927	..	..	1525	1514
1921	..	..	1713	..	1928	..	..	1683	..
1922	..	..	1363	..	1929	..	..	1623	1668
1923	..	..	1610	..	1930	..	..	1283	1397
1924	..	..	1788	..	1931	..	..	984	1052

The sharp drop in 1922 immediately revealed the unduly high values then ruling for land. However, the price-level recovered in 1923, and although there were severe fluctuations it remained on a high level until 1929. In addition, the improvement in farm management and the increased use of artificial fertilizers increased productivity to a marked extent. Taking the volume of exports in 1926 as 100, by 1929 the figure was 116 (an increase of 16 per cent.) and for 1930 it was 119.

The drop in total export income was not, therefore, as heavy as that of prices. Figures (in New Zealand currency) for years ending June are as follows:—

Year	£			Year	£				
1921	..	..	..	49,000,000	1927	..	..	..	45,000,000
1922	..	..	..	43,000,000	1928	..	..	..	54,000,000
1923	..	..	..	46,000,000	1929	..	..	..	55,000,000
1924	..	..	..	47,000,000	1930	..	..	..	46,000,000
1925	..	..	..	56,000,000	1931	..	..	..	36,000,000
1926	..	..	..	45,000,000					

It will be seen that for 1928–29 exports reached the high value of £55,000,000, and that for the year 1929–30 they dropped by £9,000,000. There was a further and cumulative drop of £10,000,000 for the year 1930–31; and in the year 1931–32, in place of an export income which in 1928–29 was over £55,000,000, there was £34,000,000 only.

The drop in prices was spread over all classes of exports, and the following are particulars of the main items:—

—			Greasy Wool, per Pound.	Mutton, per Hundredweight.	Lamb, per Hundredweight.	Butter, per Hundredweight.	Cheese, per Hundredweight.
1929.			d.	s. d.	s. d.	s. d.	s. d.
January	..	..	17	44 0	76 0	162 0	86 0
1930.							
January	..	..	11 $\frac{1}{4}$	42 0	69 0	145 0	75 0
July	..	..	8 $\frac{3}{4}$	38 6	64 6	120 0	73 0
1931.							
January	..	..	5 $\frac{1}{2}$	32 0	60 0	104 0	56 0
July	..	..	6 $\frac{3}{4}$	25 0	52 0	100 0	43 0

This position was reflected in the aggregate national income of the country, which for 1928–29 was estimated at £150,000,000. The estimate for 1931–32 was £97,800,000 and for 1932–33 £90,000,000.