

Despite a remarkable increase in quantities exported—which incidentally shows how the farmer has striven to solve his own difficulties by hard work—the sterling value of exports fell from £56,526,000 for the financial year 1928–29 to £32,677,000 for last financial year, a decline of over 40 per cent. With a drop in income of this magnitude, which, of course, applies also to the returns from produce sold internally, the imperative necessity of giving substantial assistance to the primary industries is obvious.

The experience of all countries similarly placed is that costs are very rigid and it is impracticable, if not impossible, to make substantial reductions within a short period without imposing such inequity and hardship upon other sections of the community as would increase the dislocation in trade and industry and generally intensify the already serious economic difficulties.

Exchange
adjustment.

In these circumstances the only practicable course was to approach the problem also from the other side by taking action in some direction that would increase the yield to the farmer from his produce. After a careful consideration of all suggested methods, the Government reached the conclusion that raising the exchange rate was the best course to pursue.

I may say that the Government fully realizes that the exchange adjustment increased the already serious difficulties of local bodies, traders, and other sections of the community generally, but I wish to emphasize again that the step was deliberately taken in the best interests of the Dominion as a whole, for it is clear that anything approaching a collapse of the primary industries, at the base of our economic structure, would undoubtedly lead to disaster for all other industries, involving the whole community. That is the salient fact that should not be overlooked by those who criticize the action of the Government in the matter.

It was to be expected that such a far-reaching and unusual act as raising the exchange rate would give rise to sharp differences of opinion, but the recurrent agitation for its repeal and constant and baseless rumours that the rate is about to fall have led to a measure of uncertainty and holding back in business that is unwarranted, and those responsible for stirring up the agitation or spreading idle rumours are acting against the best interests of the Dominion.

We have recently witnessed a welcome upward movement in export prices; but, owing to the further heavy fall in the interim, those prices in sterling are now little above the level at which they stood when the exchange rate was raised.

As a result of all the efforts made, the gap between costs and prices has been narrowed considerably, but the Government Statistician's indices still show export prices about 16 per cent. below the 1914 level, whilst farm costs, which are more difficult to measure, are still about 20 per cent. above that level. This is the position after taking the exchange adjustment into account, so it will be evident that the measure of assistance given by the raising of the rate must continue in the meantime.

In taking action in the various directions that I have indicated the Government has been concerned more with economic rehabilitation of the country generally than with balancing the Budget. The revenues of the State depend upon trade and industry and the general welfare of the people, and in times like the present it is advisable to look first to the foundation of the Budget. The restoration of sound economic conditions is a first step towards sound public finance.

PUBLIC ACCOUNTS.

Before proceeding to analyse the budgetary prospects for the current year, I would like to refer to the results for last financial year.

Public Accounts.

Honourable members will recollect that when the year opened the country was confronted with a prospective budgetary shortage estimated at £8,300,000. The remedial measures adopted, mainly the use of reserves and further economies in expenditure, together with an improved outlook for the revenue by the time the Budget was brought down, were calculated to reduce the deficit to within £1,000,000. For the first time for several years the revenue exceeded expectations by a substantial amount, £938,000, while, as a result of rigorous control of expenditure, a net saving of £112,000 was effected, notwithstanding that an unexpected item of £470,000, for purchase of surplus exchange, was included in the accounts. The net result was a small surplus of £40,000. Having regard to the position when the year opened, it will, I think, be agreed that this result is very satisfactory indeed.