

retail businesses, together with the inflation of urban-site rents have not yet been fully worked out, and are probably responsible for too wide a distributor's margin in respect of some commodities.*

(5) The most serious burden pressing on the farmer is the inflation of capital charges in respect of land, accompanied by a similar inflation of mortgage charges. Although the precise extent of this burden cannot be stated, there remains no reasonable doubt that the figure involved in bringing back annual capital charges to the 1914 parity with export prices is considerably greater than the figure involved in bringing back wages or taxes to the same parity. There is considerable reluctance on the part of farmers to face this fact—partly because the tradition of high land-values and the habit of looking to a future profit out of the realization of land-value increment have raised psychological barriers to acceptance of this view; partly because other real or apparent burdens seem, on the face of them, more easy to alleviate. One of the most disquieting features of post-war economics is the fact that the creditor class is taking an increasing share of the returns from our basic industries.

(6) Closely related with the foregoing problem is the problem of rural credit. There is little room for doubt that most farmers have too little free capital and that credit on moderate terms is too difficult to obtain.

What, then, are the remedies? It cannot be overstressed that there are no short cuts. The prime essential is the slow liquidation of the over-valuation and over-mortgaging of land, painful and unacceptable as this may be. This readjustment will occur partly through retransfers at more economic levels; partly through more efficient methods of farming, which will raise the economic value of land. An improvement in efficiency will be facilitated by improved credit and a reduction in the price of requisites. In respect of the latter, much could be achieved by a lowering of the tariff on agricultural requisites, while gradually some hope may be entertained of a fall in retail margins as the elements of urban inflation are liquidated. In respect of rural credit, a beginning has been made by the Government in establishing machinery for the provision of long-period and intermediate credit; but there is room for a considerable development in the establishment of credit machinery. The provision of adequate free capital, at a cheaper rate than at present, and the renewal of existing mortgages at lower rates are among the most effective methods which could be devised for placing agriculture on a sound economic basis.

(I desire to thank Mr. J. B. Strong, one of my students, for assistance in the working-out of the tables and the preparing of the diagrams on which this paper is based.) (*Applause.*)

Unemployment in New Zealand.

By the Research Committee of the Auckland Branch of the Economic Society of Australia and New Zealand. H. BELSHAW, Professor of Economics, Auckland University College (Chairman); T. BLOODWORTH, Secretary, Carpenters' Union, Auckland; W. H. COCKER, Barrister and Solicitor, Auckland; J. P. GROSSMANN,† Professor of History, Auckland University College; M. STEWART, Company-manager, Auckland; E. P. NEALE, Secretary, Chamber of Commerce, Auckland.

I. PREFACE.

The following analysis of the problem of unemployment as it affects New Zealand has been prepared by the Research Committee of the Auckland Branch of the Economic Society of Australia and New Zealand. For the views expressed the Committee alone—over whose signatures the report appears—are responsible. The report was read before a meeting of the Society on the 19th October, 1927, and in some particulars has been modified in the light of the discussion which ensued; but it does not commit the Society as a whole, nor any of its members other than those whose signatures are appended.

The committee has devoted what might appear a disproportionate amount of space to a statement of the general problem, and to an analysis of different kinds of unemployment and their causes. This has been done for two reasons:—

- (1) The fundamental conditions on which unemployment depends are seldom clearly understood, and there is a tendency to overstress special circumstances with which it may be associated; but which by themselves are inadequate as explanations of the problem, and are often themselves the result of the true causes.
- (2) The paucity of official or other statistics for New Zealand precluded any exhaustive inductive analysis of the local problem, so that *a priori* arguments and reference to authoritative opinion abroad assumed in consequence more important proportions. Such direct and indirect evidence as is available broadly substantiates the conclusion that the main kinds and causes of unemployment in New Zealand are not essentially dissimilar to those in other countries.

* There is room for further inquiry into the costs of retail distribution. The manager of one of the large dealers in farm requisites in New Zealand writes: "Owing to the keen competition now prevalent, there is very little difference between wholesale and retail prices, which leaves an extremely small margin for the additional cost of distributing small lots, providing for the very extensive credit granted to farmers, and the very serious amount which has annually to be provided for bad debts." This states the position from the distributor's point of view, and is probably substantially correct. It does not, however, vitiate the opinion that in many instances retail charges might be substantially reduced. The replacement of store credit by a system of intermediate credit, and the development of co-operative distribution, would probably reduce costs to the farmer. The same writer supports the general conclusions of this paper by the following significant comment: "Generally speaking, we do not think that prices of a farmer's requirements have advanced in proportion to the value that his products have appreciated. There is no doubt that the farmers' experiences are caused by their having purchased land during the boom at inflated prices, at which no one could make a reasonable living, and to the large number of inexperienced men who went on the land. Further, a large number of settlers tackled propositions which were far beyond their means; the latter with half their holdings might have been successful."

† Professor Grossmann dissociates himself from the view of protective tariffs and their effect on industry expressed in the Report.