

give rise to unemployment arise from no one simple cause, nor is there any one simple remedy. The problem is an exceedingly complex one, involving the life and activities of the people in many ways. Conditions of life are constantly changing; the luxuries of yesterday are the necessities of to-day, and the necessities of to-day may be obsolete to-morrow. Methods of trade and business have to be changed to meet changing conditions. There is a continuous demand for better standards of living for the mass of the people, and the satisfaction of this demand is possible only if all who are able to work are usefully employed and earning wages of high purchasing-power. The purchasing-power of earnings depends upon the price of the goods and services which go to make up the standard of living. High money wages do not mean a high standard of living if prices are disproportionately high.

There are therefore two strongly opposing forces always in operation: on the one hand a continuous demand by all workers for higher money wages (and by "workers" we mean workers of any kind—not only those who belong to trade-unions); on the other hand a continuous demand by all workers, when converting their earnings into the goods and services they require, to obtain those goods and services at the lowest possible money prices. There is thus a constant pressure upon all who supply goods or services to find methods of reducing their costs, and so upon every worker the two opposing forces operate—the desire to obtain more money for his work, and the need to reduce the cost of what he is helping to produce. The pressure of these opposing forces tends to produce industrial troubles, economic bad times, and unemployment as surely as the pressure on opposite sides of a geological fault produces earthquakes.

The demands of modern life in countries enjoying advanced civilization cause all such countries to be more or less interdependent. New Zealand is a small country with a comparatively high standard of living. We produce a very large surplus of certain goods, and we are remarkably deficient in the production of other goods—for example, base metals and heavier manufactures. Consequently our external trade is *per capita* the highest in the world, and we are proportionately less independent of other countries than almost any other people. We cannot live entirely within our own boundaries; we depend on the requirements of other countries to absorb our surplus production, and upon their production to supply many of our requirements. We are able to market our surplus production only so long as we are able to produce at costs not higher than those of other countries producing and exporting similar goods to our own, and the cost factor controls also the production of goods for our own internal consumption, since at the present time the market for these goods depends very largely upon the purchasing-power of the return received from our exports.

New Zealand may be considered as a commercial undertaking engaged in the business of producing, preparing for market, exporting and marketing abroad certain products of the soil—viz., wool, meat, butter, cheese, flax, &c. The business has steadily increased in volume for the last forty years, and on the whole it has been highly profitable. Further, although prices at present tend to fall somewhat, there is no reasonable doubt as to our ability to find sale for a still further increased production provided that our costs are not too high. The cost of producing and delivering our product in the market is the all-important factor, for two reasons: first, we have to meet our competitors in the matter of price; and, second, apart from meeting competitive prices it is necessary to study the purchasing-power of our customers. The British public, our principal customers, will continue to buy butter and will increase their consumption of butter while it is cheap enough to be within their means, but they will decrease their consumption or cease to buy if the price is more than they can afford. Cost is therefore the all-important factor in our national business, just as it is in private business.

Considered still as a commercial undertaking, in addition to her principal business of producing and selling the articles above mentioned, with all the necessary transport facilities, New Zealand has to provide her people who are engaged in her principal business with certain goods and services that they require—as, for instance, houses to live in, clothes to wear, newspapers to read, and all the many things which make up the daily needs of a community. This provides employment for a large number of other people, a number, in fact, not far short of those engaged directly or indirectly in the main business of producing for export.

It is important to note that the number of people employed in production, preparation, transportation, and marketing of exportable goods is capable of being increased subject only to the all-important condition that the cost of production is low enough to be within the price obtainable. In other words, we can sell more of such goods at a price; and to produce more we can employ more people. The employment of more people in production of exports creates a demand for more goods and services for their consumption, and so enables us to employ more people in other branches of our national business also.

Now, if our population embraced just enough people of each class to maintain the production of exportable goods and provide the goods and services required for our own use we should have work for everybody; but, unfortunately, that never has been wholly attainable. Even if such a state were once attained, the balance could not be kept, for several reasons, which at the moment need not be discussed at length. One of the most obvious is, of course, the flow of population from other countries which would be attracted by the tale of our good fortune.

It is sometimes made to appear from the public utterances of representatives of the primary producers, and from their published statements, that they regard all population not engaged in that branch of our national trade either directly or indirectly as a surplus or unnecessary population, because the supply of most of the manufactured goods required by the community could be imported from other countries as cheaply or more cheaply than they can be made in New Zealand. This is, of course, a fallacy. A surplus population over and above the numbers engaged in primary production is unavoidable; and, moreover, the surplus is an asset to the State so long as useful employment is offering; failing that it becomes a liability. It is essential, therefore, that the employment involved in providing the goods and services required for our internal use be given to our own people who are not required in the production of export goods, rather than to the people of other countries, but subject always to the condition that the cost of the goods for home consumption or of the services is not unduly high.