

from experts, the price guarantee has been increased to 1s. 6d. per pound for the 1937-38 season. As the following figures indicate, there has been no net loss to the Employment Promotion Fund, the amount advanced being equalled by the amount recovered :—

Year.						Quantity. exported.	Advanced.	Recovered.
						Lb.	£	£
1934-35	..	..	..	..	..	65,341	3,267	3,267
1935-36	..	..	..	..	..	79,043	3,952	3,952
1936-37	..	..	..	..	..	68,975	3,503	Not yet sold.

The guarantee given on the export of tobacco-leaf has enabled a very promising market to be built up in Great Britain for New-Zealand-grown leaf. As a result of Government aid to this industry a large number of additional men have been employed, and there is every indication of an increasing number of persons being engaged in the industry in the next twelve months.

To further promote the industry, the Government is prepared to grant financial assistance to tobacco-growers by way of loans for the erection of curing-barns and the purchase of necessary equipment.

The flax industry has been granted assistance by way of an export subsidy on hemp, ranging at the present time from £3 per ton for "rejected," to £4 10s. per ton for "good fair." At the same time interest has been taken in the development of the woolpack industry, based upon the use of native flax by rendering financial assistance to New Zealand Woolpack and Textiles, Ltd., upon the directorate of which the Government has two representatives. Woolpack and Textiles, Ltd., give direct and indirect employment for over 250 persons. In order to ensure the proper and efficient development of the whole industry, an industrial committee has been set up under the provisions of the Industrial Efficiency Act, 1936.

The kauri-gum industry, once giving substantial employment in North Auckland, has, through the exhaustion of some of the better-class fields and the competition of synthetic resins, been a problem for some years. A new survey of the remaining gumfields has been undertaken, and a process has been developed for the purification of the gum in order to increase its competitive strength. A plan is being formulated whereby the purified gum can be produced sufficiently cheaply to enable it to compete effectively with the production of synthetic products overseas, and so effect the re-establishment of the industry.

The steps outlined above have, however, been experimental in nature, and it is now considered necessary to give far wider consideration to industrial possibilities in general in the light of changing world economics. The developing and progressive economy that has been characteristic of New Zealand throughout its whole economic history has been conditioned by the existence of an overseas market continually expanding by virtue of increasing population and growing wealth. For many decades we have been, as a nation, so accustomed to the growing development of a specialized export trade dependent upon the United Kingdom that it is now difficult for us to realize that the world economic factors have so altered as to suggest that future national development will be radically different from what it has been in the past. All competent authorities are now agreed that given the continuation of present trends the population of the United Kingdom will reach a peak within five or six years, after which will set in a decline marked by increasing rapidity as the years go by. This trend will be seen not only in the population of the United Kingdom, but in the population of the majority of other countries as well. The importance to the Dominion of declining populations in our overseas markets compensated for only to some small extent by rising standards of living is too obvious to require prolonged discussion. For not only will an export trade concentrated largely upon a single market not continue to expand as it has done in the past, but it will by force of circumstances be compelled to decline. To some extent the expected decline may be offset by the development of alternative markets, but though these policies must be pushed to the limit by a country whose economy is built upon its export trade, as is New Zealand, there are, even apart from the fact that declining populations are likely to become general, other factors which may operate to hinder the full benefits being realized.

During the last twenty years there have been so many developments in agricultural technique in the application of scientific knowledge to farm production and in the invention of mechanized farm implements as to deserve the description of an agricultural revolution. The potentialities of increased farm production, particularly in peasant countries where the standard of productive efficiency is still so low, are enormous; and, though the potentialities of increased production are greater in the case of agricultural products than in the case of pastoral products with which New Zealand is most concerned, the increased production of the former cannot avoid injuring the price structure of the latter. It is believed also by agricultural economists that these effects will be manifested in greater fluctuations in the world prices of farm products than has been common in the past, so that countries with large groups of peasant farmers will intensify their efforts in the direction of economic nationalism (already actuated by the desire for self-sufficiency) in an attempt to insulate the country from their effects. Important farm exporting countries such as New Zealand may then be faced by an increased world production, the marketing of which is concentrated upon one or two relatively free markets of reduced absorbent capacity. Low prices and the displacement of rural labour may give rise to the necessity for the development of secondary industries.