

The problem of the absorption of industrial labour is of particular importance at the present time, and, owing to the abnormal, intractable, and prolonged volume of unemployment, we think that any tariff readjustments that would have the effect of causing a considerable displacement of labour should be made only after mature consideration. The popular protectionist argument that a tariff creates additional employment in a community is, in the main, in circumstances of normal prosperity, fallacious, but nevertheless there are conceivable circumstances in which, even in a highly industrialized country, a tariff readjustment might increase the net volume of industrial employment, or prevent it from falling. In the circumstances of New Zealand the reverse application of this principle, namely, that withdrawal of tariff protection already granted would narrow the range of industrial employment, or prevent it from expanding, has some cogency, owing to the restricted avenues of employment available in a country of so simple and undifferentiated an economic structure as ours, and it applies with special force to-day. The following quotation appears relevant in this connection :—

“The fundamental argument for unrestricted Free Trade does not apply without qualification to an economic system which is neither in equilibrium nor in sight of equilibrium. For if a country's productive resources are normally fully employed, a tariff cannot increase output, but can only divert production from one direction into another, whilst there is a general presumption that the natural direction for the employment of resources, which they can reach on their merits and without being given special advantages at the expense of others, will yield a superior national dividend. But if this condition of full employment is neither fulfilled nor likely to be fulfilled for some time, then the position is totally different, since a tariff may bring about a net increase of production and not merely a diversion.” (Addendum I to the British Report of the Committee on Finance and Industry—The Macmillan Report, p. 201.)

If a considerable proportion of the rising generation of young people in our towns are not absorbed into industrial employment it is difficult to see what economic occupation will be available for a great many of them. This must not be taken to indicate our approval of the establishment under a protective tariff of uneconomic industries. It does not seem probable that a great proportion of the growing urban population could be absorbed into occupations ancillary to importation. There seems under present conditions little probability of any large number of them being absorbed into farming pursuits; in fact, owing to the increasing mechanization of farming, the labour requirements per unit of output of primary produce are being restricted.

Witnesses before the Commission who advocated further land settlement as a means of immediately absorbing labour were vague in detail. It is questionable whether in the present position of New Zealand further extensions of primary production are likely to be as important a potential absorbent of labour as manufacturing industries. On the whole the trend of civilization is to enable us to satisfy our primary wants with progressively less labour, and to release labour from the land for the satisfaction of secondary wants. We get our food supplies with the expenditure of a diminishing proportion of human effort. This fact partly explains the tendency for the countryside to become less populous, and for city life to expand. Without expressing a definite conclusion on these difficult matters, we think that a careful consideration of them is a matter of crucial importance in the formulation of a long-period tariff policy. A correct decision in regard to them will determine the enduring factors and forces which underlie the future economic distribution of employment facilities between primary industries in the country and secondary industries in the towns.

To the extent that our people cannot find work, the burden of supporting them will fall on the community in any case, and a soundly devised tariff may easily prove on investigation to be less burdensome than a direct dole or allowance, and would almost certainly be less demoralizing. For these reasons we are of opinion that any downward adjustment of the tariff that would put New Zealand industries which are large employers of labour out of operation at the present time would in the short run, and probably for many years, increase the number of our