

the twentieth century carries with it quite a number of consequences. It carries a present diversion and a possible greater future diversion of capital from overseas investment to home investment. That is already dealt with in my answer to the question of borrowing. It is a matter of interest to observe that those countries which went further in the direction of internationalism are the countries leading now in the reverse direction of self sufficiency—America, England, and Europe. That is not entirely surprising, because the rich resources and large populations which prompted them to build up their great industrialisms and conquer the world's markets are precisely the conditions which enable them to support the cost of the change. They have huge home markets and many millions of people which are the most fruitful means of developing new industries. The various points which I have made up to date lead to the point I wanted to make: that this development towards economic self-sufficiency represents a substantial reversal of the whole of the nineteenth century and is therefore, I think, likely to be tenacious. I think it would be a mistake for us to assume in New Zealand that the policy which England has embarked upon, and which other countries have embarked upon, is a policy which they will reverse in a few years. Once any system is established, however illogical or bad it may be, it tends to survive far beyond the time when it should have collapsed. Institutions do not collapse merely because they lack logic; they even survive for that reason. And therefore I think that in New Zealand we cannot hope for any early return to expanding internationalism. This, of course, is a point upon which I may be completely wrong—you understand it is only my rough judgment of the course of events—but I feel that the farming policy of England is likely to see out the generation of farmers which it has called into being, putting the shortest possible time on it. If what I say is true, and if the world is heading harder and harder for self-sufficiency, and if that policy is likely to be maintained for a decade or a generation, then we have to face very seriously the problem of the reactions of that policy upon New Zealand. One of those reactions, and the one that concerns us most, is the possible limitation which it is going to impose upon our selling overseas an expanding volume of primary products. It is conceivable that we may have to face, before very long, a limit imposed upon the amount of primary produce which we can export. If that is so, it is clearly inadvisable for this country to spend capital and labour and hope and ambition on producing surpluses which are unsaleable. It would be far better for us to use that capital and labour to produce things which we are now importing. That is the point upon which I am most likely to be misunderstood, and I would like to be as careful about it as I possibly can. The production of surpluses which prove unsaleable is sheer uncompensated waste; there is no return for it at all. We might just as well load it all on to the wharf and push it into the sea, and recognize once and for all that it was not worth doing; that capital and labour put into the production of other things would at least be less wasteful than the production of unsaleable surpluses, and therefore if the trend of events I have tried to delineate has been correct, then it would pay us to consider nationally in what ways we might diversify our various forms of production. One other point in that connection: It seems to be that statesmen to-day, in looking at their unemployment problem, have to consider the following two alternatives—whether they prefer to have a body of people in jobs and reasonably secure in those jobs, enjoying a reasonable standard of living in those jobs, together with a body of people which has no standard of living and no jobs—that is, an army of unemployed people; or whether it might not be better, as an alternative, from a human point of view if not merely from an accounting point of view, to spread that unemployment more evenly through the whole community. That undoubtedly could be done by a multiplication of our industries. I want it to be very definitely understood that, so far as our aggregate national income is concerned, such a policy might mean a lower national income, but we could give every man a job and spread the cost over the whole of the community in a lower average standard of living. I am merely putting those two alternatives and not casting my vote in favour of one or the other—whether it is better to have a system such as we have at present or one in which the incidence of unemployment is spread throughout the whole community. If you choose the latter, then you advocate a multiplication of non-primary industries in the country, and that may turn out to be the best thing.

In connection with public works, I think you suggested that it might be wise, though not a cure, to increase public works during times of depression. Would you suggest that it would be essential in doing that that the work should be carried on at a reasonably low cost and not as competitive with ordinary industrialism? There are as you know two schools of thought: the one suggests that any such work should be at standard rates, the other is that any such work should always leave a sufficient margin to induce the industrialist to look for ordinary channels of employment. What is your view?—I favour the latter; either that or let us put the whole country on the dole.

Otherwise it would simply be restraining the tendency to re-enter commercial channels?—I think so.

Would you be in favour, so far as is possible, that the currencies and credit should be directed towards a rise in prices to an agreed satisfactory level, and thereafter maintained at that level? Would that be the objective?—As a broad policy, if it could be done; I would like to see no attempt at stabilization at the present level of prices, but a rise in prices at least sufficient to cover costs of production before any attempt to stabilize were made. You understand I am very sceptical of the possibility of doing so.

So far as currency and credit could do so, you think it advisable to get to an agreed level and thereafter attempt to keep at that?—Yes.

*Captain Rushworth.*] I was particularly interested in your long answer to Mr. Clinkard's question about the economic nationalism, because that is becoming a very important world question. It has struck me—I do not know whether you have the same opinion—that the old ideas of free trade are advanced freely to-day by international finance. Have you observed that at all?—No, I have not.