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NEW ZEALAND IN THE MAKING

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IN THE MAKING

*A Survey of Economic and
Social Development*

by

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TO
JAMES HIGHT, M.A., Litt.D.

PREFACE

So many friends have given generous assistance in the preparation of this book that it has almost become a co-operative work. My heaviest debt is expressed in the dedication to Dr. James Hight, Rector of Canterbury College, who first started me on the preparation of the research material more than fifteen years ago, and whose critical scholarship and unique knowledge of New Zealand economics and history have been freely placed at my disposal ever since. My former chief and colleague, Mr. Malcolm Fraser, and Mr. J. W. Butcher, of the Census and Statistics Office, have safeguarded me from many statistical errors; Sir Apirana Ngata, Dr. P. H. Buck, and Mr. F. M. Keesing have supplied materials without which the second chapter on the Maoris could never have been written; and Mr. W. Stewart, Commissioner of Crown Lands for the Canterbury District, kindly checked my references to land legislation.

I owe special thanks also to Mr. J. L. Martin, of the Lands and Survey Department, Christchurch, for patiently assembling the scattered information and drawing the excellent maps on which for the first time, as far as I am aware, the quality and tenurial distribution of New Zealand lands are clearly shown. Mr. George Lawn, of Canterbury College, rendered a similar service in bringing up to date and drawing the diagrams of trade and of public works expenditure.

I have drawn freely not only upon my own previously published work, but also upon the research dissertations prepared by students under my direction at Canterbury College. As far as I am aware, all specific obligations are acknowledged in the notes and references appended to the book; but I must acknowledge also the help which I received over many years from discussion of New Zealand economic problems with my colleagues of the New Zealand University Colleges, as well as in the classroom discussions, both within Canterbury College and in the Workers' Educational Association tutorial classes. The close contact maintained since 1924 between my department and the Canterbury Chamber of Commerce has, I hope, resulted in a greater degree of reality in the treatment of controversial problems. It is a great pleasure

to have this opportunity of expressing gratitude for the co-operation of the Chamber, and especially of Mr. Norton Francis, who has from the beginning acted as chairman of the joint Economic Committee.

While I have drawn thus heavily upon the help and criticism of so many friends, the opinions expressed, especially in the later controversial chapters of the book, are entirely my own. I have, I hope, weighed with due care the critical opinions of those by whom the manuscript has been read; but the responsibility for the statements made is entirely mine.

J. B. C.

HONOLULU,

July 1929

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NEW ZEALAND IN THE MAKING

CHAPTER I

THE MAIN PERIODS OF DEVELOPMENT

THE EARLIEST TRADERS, 1792-1840(1)

New Zealand at the present time has a population of slightly less than a million and a half. Of these the Maoris number only 64,817. This small community, situated almost at the antipodes of Great Britain, is hardly a century old. Effective settlement did not begin till 1840. Since that date such rapid progress has been made that to-day New Zealand claims the largest overseas trade per head of any country in the world and has a very high standard of economic welfare. It has a worldwide reputation also for experimental legislation and especially for measures of social improvement. There are few other lands where human life and welfare enter so consciously into political consideration.

Yet it is less than a century and a half since its name was a synonym for savage barbarism. Macaulay, straining for epigram, perched a New Zealander upon the ruins of London Bridge; but could hardly have anticipated that the most famous scientific chair of his university would come to be held by a New Zealander together with a fellowship in his own college.

Governor Philip, reflecting in 1787 upon the difficulty of maintaining discipline in the convict settlement which was to be planted at Botany Bay, reserved New Zealand as the ultimate punishment for criminals too vicious to be restrained by fear of death. In the same way, a contemporary observer of the industrial slums of Manchester in the early years of the nineteenth century could find no more dramatic emphasis than the statement that he would as soon trust himself to the aborigines of New Zealand as to children brought up in such surroundings.

Such statements as these are not surprising in view of the fierce hostility with which the Maoris took "utu" (payment)

for any injuries or breaches of etiquette committed by the rare visitors to their shores. The experience of Tasman, who lost a boat's crew on the first recorded visit of any European to New Zealand, was many times repeated. Cook, the next visitor, a century and a half later, had to exercise continual caution, and three years after his visit the French explorer, Marion du Fresne, paid a terrible price for the ruthless actions of his predecessor, de Surville.

Whaling, sealing, and the timber trade, as well as the over-estimated possibilities of the New Zealand flax, continued, however, to tempt adventurous traders. In 1792 a sealing-party camped for several months at Dusky Sound. In 1795 the first shipload of timber was taken from the Thames. Whaling commenced on a great scale in the first decade of the nineteenth century, despite the monopoly of the South Sea Company. Within the first two decades of the nineteenth century the deep-sea whaling industry and the sealing on the New Zealand coast and the adjacent islands were practically destroyed, as much by wanton destruction as by exploitation.

The advent of the bay whalers in the twenties reinforced the settlements of "beachcombers" that had begun to spring up on the shores of the beautiful harbours of the northern peninsula. These settlements became a byword for lawlessness and crime. Maori outrages increased in ferocity, and the advent of the white traders enlarged the possibilities of tribal warfare on a grand scale. Marsden had opened the first mission station in 1814, but had not found any clergyman willing to face these terrible conditions till Henry Williams came in 1823. It was not till 1832 that the occasional visits of a British man-of-war were supplemented by the appointment of a British Resident, who, however, was given no means of enforcing his authority except the suggestion in his instructions that he should use "moral suasion". With the exception of this futile gesture and the growing influence of the missionaries, there was nothing to check the ferocity of Maori warfare and outrages, or the criminality of the settlements. The British Government was still loth to add to its responsibilities and categorically denied any intention of governing New Zealand. Not till colonists had actually left Britain was any effective Governmental action taken.

Beyond the bringing of New Zealand into the sphere of British influence and, ultimately, government, this earliest period of New Zealand's history has little importance for the economic historian. The missionary farms which so impressed Darwin in 1835 were designed primarily for Maori education, but Maori agriculture was strangled in its infancy. The earliest trade in whale-oil, seal-skins, timber, and flax, contributed only negatively to future development.⁽²⁾ The later farming enterprises of certain bay whalers and pioneer settlers were of more importance, but were quickly merged in the economic progress that resulted from systematic colonisation. There are few other lands where beginnings can so definitely be dated. For all practical purposes the economic history of New Zealand begins with the arrival of the first Wellington settlers in 1840.

THE GEOGRAPHY OF DEVELOPMENT

Giving evidence in 1836 before the House of Commons Select Committee on the methods of disposing of lands in the Colonies, Edward Gibbon Wakefield drew attention to the possibilities of New Zealand.

"Very near to Australia", he said, "there is a country which all testimony concurs in describing as the fittest country in the world for colonisation, as the most beautiful country, with the finest climate and the most productive soil; I mean New Zealand."

This was the first public indication that Wakefield's thoughts had turned to the land which was in the next decade to provide him with the field for his greatest experiments in systematic colonisation. Later on in his evidence he pointed out the inevitability that New Zealand would be colonised, and pleaded for forethought and planning in its development.

"We are, I think, going to colonise New Zealand," he went on, "though we be doing so in a most slovenly and scrambling and disgraceful manner."

The success which attended his efforts to substitute orderly and well-prepared plans of group settlement for the slovenly, scrambling, and disgraceful methods of individual adventurous enterprise is probably his greatest title to fame. The mistakes which he made were due, on the other hand, primarily

to the pioneer character of his work, and in no small degree to the fact that he necessarily lacked sufficient knowledge of the geographical conditions which were to control the economic development of the new colony.

Three-quarters of a century after Wakefield gave his evidence, a shrewd and penetrating summary was made by a French economist, André Siegfried, of "Geographical Conditions and their Influence on the Evolution of New Zealand". The first characteristic of the islands which attracted his attention was "their more than insular character, their enormous distance from anywhere, their complete isolation". Here was an obstacle to economic progress of which Wakefield could not well have been unaware, but the controlling importance of which he obviously underestimated.

When he took settlers to the islands and planted them there to work out their economic salvation they were forced in their isolation to make an attempt at self-sufficiency. Transport and communication were so slow and uncertain that they had to provide for themselves the materials of economic and social organisation. It is true that, more than in most new colonies, they brought with them and continued to import large stocks of material capital; but there was no ready means by which they could export any means of payment. They were therefore forced back to primitive and even rudimentary scales of living until they discovered the prospects of raising sheep upon the open plains of the south island, and so were enabled to export wool in large quantities.

The necessities of external transport in fact divide the economic development of New Zealand into three well-marked periods: the first ten years or so of self-sufficient agricultural farming, the pastoral age which followed, and the development of more diversified and smaller scale farming once again after the practical success of refrigerated transport in 1882 opened up a wider external market.

The testimony upon which Wakefield based his glowing estimate of New Zealand's possibilities has proved to be right in the long run; but it must have ignored almost all the practical difficulties, not only of external transport, but of internal transport also. New Zealand has, as Siegfried notes, a well-indented coastline; but it "is a narrow land, whose mountains

rise to heaven in mighty piles, and are touched at their bases by inlets of the sea”.

When the first settlers arrived, therefore, they found themselves isolated, not only from all other lands, but almost equally from each other. With remarkable prescience Wakefield chose as the first region of settlement the central region on either side of Cook Strait, and planted colonies at Wellington, Wanganui, New Plymouth, and Nelson. With the exception of Nelson, these settlements, once their initial difficulties were overcome, proved to be admirably located. They had access to some of the richest plains in the country and have since developed into closely settled regions of small-scale farming.

In their first years, however, their progress was hampered by many factors which Wakefield could hardly have foreseen. The central region of the north island was then, and for many years continued to be, unexplored territory. Access to it was blocked by mountain ranges, which, though lower than the great mountain system of the south, were rugged and confused, offering almost insuperable obstacles to transport until the colony gathered sufficient capital resources to build roads and railways.

The coastal plains of the west, moreover, were covered with the characteristic dense New Zealand rain-forest. A glance at the rainfall map will show that all the western sections of the north island have a consistently heavy rainfall, not as great, indeed, as the narrow coastal strip on the west coast of the south island, but quite adequate to account for the growth of heavy forests. The prevailing warm westerly winds gather moisture in their passage over the Tasman Sea, and deposit most of it on the western shores of New Zealand. At a later stage of development, when the forests had been cleared, these regions of the north island offered, as Wakefield had foreseen, the largest scope for intensive agricultural development. Their greatest asset is the combination of regular and abundant warm rains with plenty of sunshine, making possible the grasslands which support a high degree of dairying and mixed farming production. Such advantages, however, remained latent until the settlement of Maori troubles in the seventies and eighties, combined with the new demands opened up in

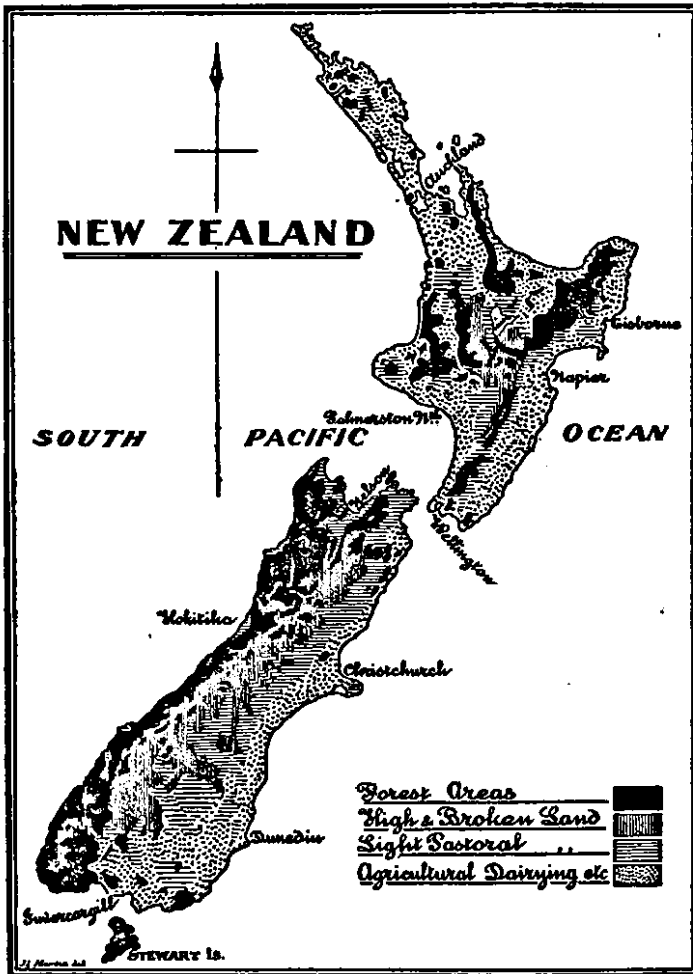
the external markets by refrigerated transport, encouraged the settlers in the eighties and nineties to take up again the heavy task of felling and clearing the bush.

This task, the first which the New Zealand pioneers set themselves to undertake, was interrupted for a quarter of a century, between 1850 and 1873, by the greater immediate advantages of extensive sheep-raising on the more open plains of the east coast of the south island, and to some extent of the north island also. It was not till the twentieth century that settlement was pushed into the central districts of the north island. After the Maori troubles ceased to be effective barriers to progress, the limiting factor has always been transport. As roads and then railways open up the country, settlement passes through fairly well-defined stages, from the rough and ready use of natural pastures for the grazing of sheep and store cattle to more highly organised mixed farming and, in specially favourable areas, intensive dairying.

The settlement which was diverted into the south island has always been governed by the dominant influence of the mountain chain which runs the length of the island. At its narrowest, in the centre of the island, this mountain system is about sixty miles wide. In the south-west, and again in the north, it spreads more widely. Within it there are no less than two hundred and twenty-eight named peaks over 7,000 feet in height, as against three in the whole north island. In the south these peaks run right to the water's edge in the fiord country. A narrow plain, with an annual rainfall of 70 to 100 inches, extends along the west coast in the middle of the island, narrowing still further towards the north. This plain, like the river valleys in Otago on the eastern side of the mountains, was proved in the sixties to contain rich alluvial gold-fields, the rush to which put New Zealand on its feet at a critical stage in its history. Later, in the seventies, the valuable coal-fields on the west coast were developed, and in more recent years still, dairying has made some progress there.

The most important development of the south island, however, has come from the utilisation of its eastern plains and foothills for pastoral purposes. When progress was checked in the north island, pioneers began to follow the example of Australian squatters, some of whom, in fact, led the new

development, by pushing out over these plains and depasturing flocks upon land which was both readily accessible and available upon easy terms under the pastoral leasehold system.



LAND UTILISATION IN NEW ZEALAND

By this time the last of the Wakefield settlements had been planted at Dunedin and Christchurch. Around these centres there were compact areas of small agricultural farms, but outside those areas large-scale sheep-runs were built up.

A comparison of the maps which show the character of the land and the tenures under which it is now held indicates very clearly the nature of subsequent progress. All the good and accessible land on the coastal plains has passed into freehold ownership and is used mainly for mixed farming. Some small portion of this has been repurchased for closer settlement. On the other hand, large areas of the lighter and less accessible hill-country on the eastern slopes of the great mountain system remain pastoral leaseholds to this day, and are used for extensive sheep-grazing. The higher, broken areas, some of the western parts of which are heavily forested, remain, and are likely to remain, in the possession of the Crown and unutilised.

In the most recent period of development, progress has been most striking in the north island, the climate of which has admirably fitted it to meet the demands of the external market for refrigerated produce such as butter, cheese, and frozen meat. The possibilities of the south island are bound up rather with agricultural development. It is the granary of New Zealand. North island development is contingent upon the purchasing power of the world's market being sufficient to maintain the demand for animal products, which are comparatively expensive. The south island, while sharing in the northern dependence upon the external market, has a more stable element in its economic prospect because of its tendency to depend more upon local markets. It exports to the north island such commodities as wheat and potatoes, and as the domestic market grows this tendency becomes more important.

Water-power is fairly well distributed over both islands and is perhaps the chief manufacturing asset, compensating in some degree for high costs of production and transport of coal. New Zealand's isolation, however, its small market, and the decentralisation which is geographically necessary, hamper manufacturing progress very greatly. The limited local market is further broken up, not only by the difficulty of concentration to give the economies of large-scale production, but by high transport costs from point to point. It is often cheaper and easier to import goods from overseas than to ship them from one place to another in New Zealand.

There are few lands, therefore, where dominant geographical

considerations so obviously determine economic organisation. The whole history of New Zealand has been shaped by its isolation, its forests, and its mountains. Its present organisation, a decentralised rural democracy dependent in an uncommon degree upon an external market at the other side of the world, is equally determined by its geographical resources and situation. There is as much dissimilarity between Australia and New Zealand in this respect as Siegfried noted in their geography. The economic development of New Zealand has radiated from many centres, mostly ports. There is a striking absence of urban concentration and a comparatively weak development of manufacturing industry. These facts colour the whole political outlook of the Dominion, in imperial as well as local politics. They are implicit in the geographical structure of the country.

THE PERIOD OF SETTLEMENT, 1840-50

The first ten years of organised settlement were years of economic struggle and disappointment. From the arrival of the first settlers at Wellington on January 22, 1840, to that of the first four ships of the Canterbury Association, last offshoot of the New Zealand Company, on December 16, 1850, the economic circumstances both of the Company and of its settlers were very difficult. There is fortunately no need even to sketch the history of that heroic Elizabethan enterprise, the New Zealand Company, or of its founder and champion, Edward Gibbon Wakefield. Recent historical research, delving in the mass of Parliamentary and other official records, newspaper controversies, private diaries and papers, to say nothing of the voluminous mass of secondary literature, has provided a reasonably clear picture of the tangled relations between the Company, the missionary societies, and the Colonial Office in England and their representatives, the Governor, the missionaries, and the settlers in New Zealand. There can be no better illustration of the traditional muddle out of which the Empire has grown. (3)

For the most part these very complicated and heated disputes centred round the welfare of the Maoris and the disposal of the native lands. The narrative story of the period does not need to be retold, and the present economic signi-

ficance of its related problems is discussed in succeeding chapters. There is no need, therefore, at this point to do more than summarise in broadest outline the economic progress achieved in the first decade.

By 1850 there were settlements in Wellington, Taranaki, Nelson, Wanganui, Otago, and Canterbury, all of the Wakefield model, compact, and restricted by the policy of selling land at a uniform and sufficient price per acre. The only other considerable centre of population was the official missionary settlement at Auckland. In addition there were scattered settlers in other areas and, in particular, pioneers were building up the pastoral industry by grazing their flocks on lands leased cheaply from the Crown in areas outside the Wakefield settlement boundaries. These early pastoralists were men of substantial capital, either squatters from Australia or the wealthier immigrants from the agricultural settlements. They led the way to New Zealand's pastoral age.

The six Wakefield colonies were isolated from one another and from Auckland, and in consequence developed a considerable amount of separatism, the influence of which can be traced even at the present time in a healthy provincialism, which prevents any one centre from dominating New Zealand. There are many striking resemblances between these settlements and the first American colonies. Isolated groups developed in comparative independence and soon began to display strong community spirit, in many instances reinforced by deep religious sentiment. The level of ability and character among the settlers was uncommonly high and was displayed to full advantage in meeting the hardships of the first years of settlement, as well as in the political invention displayed in the struggle towards self-government. Both in New England and in New Zealand the settlers were harassed by warlike native tribes, and in both cases they were forced back to the primitive necessity of wringing subsistence from a virgin soil. Later immigration has for a time overlain the austere idealism of the pioneers, but in New Zealand there are some indications that their spirit may reconquer the later generations. What the Pilgrim Fathers have meant and mean to New England, the pioneer settlers are beginning to mean to New Zealand.

In 1851 (Sir) William Fox was in England as the repre-

sentative of the colonies in their agitation for a charter of self-government. He published in that year a small descriptive book entitled significantly *The Six Colonies of New Zealand*. In it he gives a vivid picture of the isolation of each of the settlements and the great difficulties of communication between them. His scathing criticism of the official settlement at Auckland is typical of the colonists' resentment against the restrictions imposed by the Colonial Office and the Governor upon their economic expansion.

It is not difficult to understand their resentment. The whole basis upon which the New Zealand Company had been organised was the sale of land at a "uniform and sufficient price" to intending settlers. Much land had been sold in England, even before the Company's agents had bought any from the Maoris. To arrive in New Zealand and find the Company's purchases invalidated by the Governor, in consequence of a treaty hastily entered into with the natives, was a bitter experience. Neither the Governor nor the Company officials had appreciated the complexity of the customary land tenures to which the Maoris clung so tenaciously. Before allowing any land sales to be validated the Governor awaited the report of a commission, and as the work of this commission dragged through the years the settlers and the Company were forced into economic distress.

Wherever hasty action was taken to occupy or even survey land which had been bought by the settlers in good faith before leaving England, the watchful and suspicious Maoris resorted to war. At Wairau, in the Hutt Valley, on the Wanganui, as well as in the northern peninsula, there were outbreaks of sudden reprisals, "utu" taken by the natives in resentment of "Pakeha" (white) encroachment on their rights. In these years, too, were sown the seeds of future trouble in Taranaki, and throughout Maoridom generally there spread alarm and resentment against Pakeha methods.

Besides these administrative and native difficulties the infant settlements struggled under the handicap of their situation. Edward Gibbon Wakefield and his fellow theorists had correctly foreseen the central importance of the Cook Strait region. But they did not appreciate the practical difficulties of settlement and had sent settlers to four points, Wellington, New

Plymouth, Wanganui, and Nelson, none of which was suitable for rapid development at this stage. Besides the active resentment of numerous and hostile native tribes, the settlers had in each case to contend with mountainous and densely wooded hinterlands. The only fertile open valleys were already in Maori possession and cultivation, and it is significant that to this day the Maoris date their hostility to the Pakehas from the time when the first Wellington settlers attempted to eject the Maori occupants of lands which the Company claimed to have bought in the Hutt Valley.

Economic development would in any case have been slow in this period before the most profitable avenues of future progress had been discovered. The first settlers had visions of founding self-sufficient communities. Some of them brought machinery with which to establish such manufactures as ropewalks. Only through hard experience could they learn that division of labour is governed by the extent of the market. Inevitably they were forced back upon cultivation of the land; but access to the land was denied them. In any case their only considerable market, Great Britain, was half-way round the world and means of communication were slow and precarious.

It is little wonder, therefore, that the infant settlements quickly became scenes of unemployment and distress. Matters were not improved by Governor Fitzroy's experiments in 1845 with inconvertible debentures.(4) The best commentary upon the economic state of the colony six years after its foundation is to be found in the laconic report of the directors of the Union Bank of Australia in July 1846 that "the branches in New Zealand have been greatly reduced during the half-year, and may now be regarded rather as small exchange agencies than as Branch Banks. The Inspector has expressed his determination not to allow them to be increased until he is fully satisfied of the security and prosperity of those colonies." Rates of interest ranging to 15 per cent. gave a further practical indication of the estimate bankers placed upon the risks involved in colonial enterprises.

This was, however, the lowest depth. In 1844 the first considerable beginning had been made in the pastoral industry. A new governor, afterwards to become famous as Sir George Grey, arrived in 1845 and effected drastic reforms in the

public finances. He had more liberal support financially from the Home Government, and was able to bring the Maori wars to a quick close and thereafter to buy large areas of Maori land. The New Zealand Company also received a new lease of life by its compact with the Colonial Office in 1846. Its finances were considerably relieved by Governmental advances, and Wakefield embarked upon his last colonial ventures, settling Otago in 1848 and Canterbury in 1850. Both these colonies were planted in the more open south island, the bulk of which had been bought from the Maoris in 1848. The circumstances under which they were founded were more favourable also, and they escaped the worst of the tribulations of the four earlier settlements.

THE PERIOD OF THE GOLD DISCOVERIES, 1851-69

By 1850, therefore, the main stream of economic development was fairly clear. Wherever the settlers were able to obtain access to the land, they were pushing out beyond the restricted boundaries of the high-priced Company lands in order to graze sheep upon land which they could obtain from the Government upon pastoral licence. The land-purchase policies by which the Government bought large areas from the Maoris will be treated in Chapter II, the problem of tenure which arose as the land was alienated to private ownership in Chapter III, and the economic development of the pastoral industry in Chapter IV. It is sufficient here to point out that wherever the Government was able to buy land, as in the Wairarapa district outside of Wellington and in the south island, sheep-farmers took out pastoral licences for large runs and grazed their flocks over the unfenced, unimproved native pastures. The first considerable flocks had been imported by Bidwill in 1843 and (Sir) Charles Clifford in 1844. Three years later Clifford and his partner, Weld, drove sheep from Port Underwood to the plains north of Canterbury, and by 1850 they had 11,000 sheep on their station at Flaxbourne.

At this time wool was the main item of export. Some by-products could be obtained at the end of a sheep's career. There were "boiling-down" works at which skins, tallow, fertiliser, and similar products were produced; but until the advent of refrigeration in the eighties, wool remained the

great staple product of the pastoral industry. Flocks were allowed to multiply and some deterioration set in. By 1851 there were almost a quarter of a million sheep in the country, by 1861 there were two and three quarter millions, in 1871 there were almost ten millions. The export of wool in 1853, the first year in which trade statistics were recorded for the whole colony, was valued at £67,000; ten years later it had grown to £830,000, and by 1873 it was £2,702,000. New Zealand had discovered the golden fleece.

Until direct and regular steamer communication was opened up with England in the seventies, the great bulk of New Zealand trade went through Sydney. It was natural, therefore, that the colony should participate directly in the gain that resulted from the Australian gold discoveries in the early fifties. Temporarily the new demands created by these discoveries placed the New Zealand farming industries upon a much sounder basis. The disturbance of agriculture in Australia by the rush to the gold-fields, the new demands created by the great rush of immigration and by the increased purchasing power made available, all reacted in the most favourable manner upon New Zealand trade. The rise in the general price-level, which was to become worldwide, was marked and even extravagant in markets where men used gold-dust and small nuggets as current coin.

The chief effect of such an immediate rise in prices [says Saunders] was to beneficially direct the settlers to agricultural pursuits, and to make such pursuits profitable for many years, as still higher prices were quoted in 1855 and 1859. All wages rose, all accessible good land was in great demand, the dealers in produce found the advantage of prices rising in the article as it passed through their hands, live stock increased in value, shipping was profitably employed, and the general prosperity added not a little to the reputation of the Government and the Governor under whom it had occurred. (5)

One of the most important aspects of this beneficent revolution lay in the fact that it affected the agricultural farmers of the Wakefield settlements more immediately and more favourably than the sheep-farmers of the outside areas. The economic situation of the country was precarious as long as wool was almost the only considerable export. The political power thrown into the hands of the great sheep-owners under such

circumstances was to prove intolerable at a later period. In the fifties, however, while wool participated in the general rise of prices, it was the demand for flour, live stock, grain, potatoes, and other food-stuffs which was mainly responsible for the general prosperity of New Zealand.

In 1857 gold was discovered in the Nelson Province, but no large rush occurred until in 1861 Gabriel Read discovered the field that was to bear his name, Gabriel's Gully, near Tuapeka, in the Otago Province. The Australian alluvial fields were petering out and a great rush set in. Pyke has described the result.

The excitement became intense. Thousands were bitten by the gold-fever and abandoned their ordinary pursuits to try their luck at the diggings. The contagion spread to the adjacent provinces, to the north island, and finally to Australia and the Australian colonies. Then commenced one of those startling revolutions which, under the direction of an all-wise Providence, are everywhere wrought by the discovery of gold. In a few months Otago was elevated from the position of a comparatively unknown settlement to the foremost rank among the provinces of New Zealand. In 1860 only sixty-nine vessels were entered inwards. In the following year 256 vessels, many of them of large tonnage, arrived at the port. The population, computed in December 1860 at 12,691, had increased by December 1861 to 30,269 souls. The revenue [provincial] advanced from £83,046, the figure for the financial year ending September 30, 1861, to £280,097 in 1862. (6)

Rush succeeded rush as new fields were opened up not only in Otago but in Westland, which at that time formed a part of the Canterbury Province. For a time Hokitika was the foremost port of the colony and a great population rapidly covered the west coast of the south island.

The boom of the gold-rushes, however, was comparatively short-lived. The richest deposits of alluvial gold were worked out within a decade, and by 1869 depression and unemployment were worse in Dunedin than they had been since the settlement was founded in 1848. Few of the gold-diggers were permanently enriched: many of them perished from the hardships of winter on the exposed uplands, many were drowned crossing the treacherous rivers of the west coast, most endured privations and toil for which their rewards were inadequate. The cost of living was exorbitantly high. Even in Dunedin, in the early sixties, flour was £44 to £52 a ton; butter, 2s. 6d.

per lb. ; meat 10d. to 13d. per lb. At Tuapeka prices were much higher, if only because of the costs of transport.

The gain which New Zealand received from the gold-rushes was the influx of new immigrants and the capital they brought in with them, rather than the actual value of the gold they produced. Between 1861 and 1870 the population grew from 99,021 to 248,400, the greatest gain being in 1863, when more than 35,000 new immigrants entered the country. These were men in the prime of life, adventurous and hardy, industrious and on the whole law-abiding. Their industry enriched the country immediately. In 1860 the total exports had been half a million pounds, in 1863, the year in which the gold production and export reached its peak, exports had increased to four and a half million pounds. This increase, however, is dwarfed by the great amounts of capital which accompanied the influx of immigrants. Imports in the same period rose from one and a half to seven million pounds in value.

There were other incidental benefits also, and particularly the abounding revenue which flowed in to the provincial treasuries from the sale of land as well as from gold duties. It was in this period that Canterbury and Otago, the chief beneficiaries in this respect, consolidated their economic leadership. The north island provinces were harassed by the long-drawn-out and costly Maori wars, which broke out in 1860 and continued spasmodically until 1872. The almost complete cessation of land sales, and the psychological check to development added to the actual destruction, almost destroyed the prosperity of the north island. Meanwhile Otago and Canterbury were building roads and even railways, and undertaking great public works. The first railway line was opened from Christchurch in 1863, and a tunnel was shortly afterwards put through the Port Hills to Lyttelton. The dominance of these two south island provinces is one of the important facts to remember in the ensuing period. Not until 1901 did the population of the north island again surpass that of the south.

It is important also to emphasise again that one of the chief effects of the gold-rushes both in Australia and in New Zealand itself was to stimulate the demand for the products of agricultural farming in the Wakefield settlements. When that

demand began to fall off towards the end of the sixties the precarious economic situation of the colony began to be revealed. There had been hints of that situation as early as 1861, at the very beginning of the gold-rushes. In that year a petition signed by 1,010 unemployed in Dunedin was presented to the Otago Provincial Council, demanding in no uncertain terms to be provided with livelihood, or at least the means of obtaining it. Their truculent manifesto demanded that the Council provide money for public works to give employment.

This was precisely the kind of situation of which the older colonists had been fearful; but they were powerless to avert it. The newer immigrants were in the majority, and as the production of gold fell off after 1865, the demand for Governmental action became more and more insistent. Imports fell steadily from their peak £7,024,674 in 1863 to £4,078,193 in 1871, while exports increased slowly at about the same rate as the population. By 1870, imports and exports were approximately equal again, the boom of the gold-rushes was over, and New Zealand was facing the painful necessity of producing a surplus of exports to pay interest on its debts.

BORROWING, BOOM, AND DEPRESSION, 1870-95

The patient endurance of difficult economic situations of this character seems almost impossible to a democracy. The necessity of rigid economy, both public and private, a steady pressure of taxation, and the seemingly inevitable unemployment and social distress, are very irksome, particularly in young countries like New Zealand, which have large resources awaiting development.

Against the warnings of the more conservative leaders of the older colonists, a policy substantially following the lines proposed by the unemployed petition in Dunedin in 1861 was proposed to the General Assembly by Julius Vogel, who had come to Dunedin as a journalist in the early sixties, was elected Member for Dunedin in 1863, and became Colonial Treasurer in 1879. His proposal, which followed previous schemes outlined by Domett, Reader Wood, and Fitzherbert,(7) simply was to use the credit of the whole colony to borrow substantial sums to be used for the encouragement of immigration

and the building of public works. There was no inherent economic fallacy in this policy, and all that can be said against it and its proponent was that it came at an unfortunate time and was carried to lengths beyond economic defence. Borrowing for development is perfectly legitimate and economically sound policy in a young country provided the loans are floated conservatively at opportune moments and the expenditure from them is carefully controlled.

It so happened that the years 1870 and 1873 were the last good years of rising prices before the fall in the price-level set in which was to continue till 1894. The trade boom following the Franco-Prussian War accentuated that rise in prices. After the lean years of the late sixties the unwonted prosperity, further enhanced by the expenditure within New Zealand of the first borrowed money, went like new wine to the heads of the political leaders of the day. Conservative warnings passed unheeded as jeremiads. Members of all parties and from all districts joined in the scramble. Canterbury and Otago, having the greatest populations and the most members, got the lion's share of the money, which was spent "politically rather than wisely". The most extravagant schemes of development were entertained, railways were built which have never paid interest on their capital expenditure from that day to this, land speculation went to unprecedented lengths. A setback in prices in 1874, which might have served as a warning, went unheeded, and in 1878 the boom reached its height. The crash came in the following year, and the whole of the next decade was a gloomy period of depression and retrenchment.

The political history of this period has been the subject of much recrimination. Vogel, at one time the idol of New Zealand, was and still is subjected to the harshest criticism and even abuse.⁽⁸⁾ Neither his financial ability nor the purity of his motives is, however, of especial interest to the economic historian, who is primarily concerned with the effect of the policies he initiated upon the economic prosperity of the country. It has been urged, with some justice, that the worst of the speculative aspects of the boom came after he was no longer at the Treasury. It is also true that many of the safeguards he urged were swept away by the House. In particular

his original proposals provided for the setting aside of six million acres of land, in the area to be opened up by the projected public works, as an endowment for the repayment of the loans. This sound provision was swept away by the opposition of the Provincialists, who would brook no interference with the right of the provincial legislatures to control the waste lands in their areas. In 1876 Vogel took drastic revenge by destroying these legislatures. The abolition was perhaps inevitable, but the failure to develop in their place a satisfactory system of local government is profoundly regretted now by most students of New Zealand history. It may be conceded that the responsibility for the borrowing boom was shared in by most of the politicians of the day and by the electorate; but it is not likely that Vogel's name will ever be dissociated from it as its originator and chief exponent.

It is often argued that the policy needs no defence, that on balance it was productive of economic benefit to the colony. In particular it is urged, by no less an authority than Mr. Reeves, that most of the evils of this period were due to private speculation, and that it is "due chiefly to the much-criticised public-works policy that New Zealand is now a pleasant and civilised country".(9) But it must be stated that it was the Government's borrowing policy that provided both the incentive to and the means of indulging in the land-gambling which caused the private debts. There could have been no speculative mania nor reckless importation if the large Government loans had not provided a fund for such improvidence. Nor is it possible for an economist to admit that New Zealand could not have become "a pleasant and civilised land" without first impoverishing herself by reckless expenditure.

The actual amounts borrowed were considerable. In 1870 the population of the colony was 248,400, in 1880 it had grown to 484,864. In those ten years the public debt grew from £7,841,891 to £28,583,231. In the same period there were many notable developments.(10) Vogel had real political imagination. To his lasting credit he has the first forest conservation policies, the establishment of the Public Trust Office, and the Government Life Insurance Department. Under his regime a steam shipping service was started to San Francisco in 1870, and a cable connection made with Australia in 1876.

The New Zealand Shipping Company was founded in 1873 and the Union Steam Shipping Company in 1875.

In the four years from 1873-7, 907 miles of railway were completed; in the ten years following, 701 miles were built; in the next ten years 304 miles, and in the ten years ending March 3, 1908, only 416 miles were completed, not because the colony had all the needed railways, nor because none of the projected lines was likely to pay, but chiefly because of the inability of the Government to borrow adequate sums, and this may be traced chiefly to the unprofitable character of the lines already built.(11)

Roads and public works also opened up the country-side and made possible the development of the large-scale wheat-farming which was characteristic of the early eighties, besides preparing the way for the great increase of production which followed the successful experiment in refrigeration in 1882. Banking and commercial organisation, secondary industries and mining, all show substantial development. The national system of education, including the establishment of a federal university, also dates from this period. These are substantial developments in a brief space of time; but the test of their economic validity is to be found in their effect upon productivity. In the absence of adequate domestic statistics the best, and indeed the only possible, test of productivity and of economic prosperity generally is to be found in the statistics of external trade. Domestic production at this period was very small. There were, it is true, some small beginnings of urban industry. Indeed, it is one of the chief criticisms of Vogel's immigration policy that immigrants were badly selected, came out to find land values prohibitive, and remained in the towns to produce unemployment, sweated labour conditions, and finally a demand both for Labour legislation and for tariff protection. Even in 1885, however, the number of workers in the secondary industries was less than 3 per cent. of the population, so that their labours were not a considerable offset to the decline in the country's external trade.

That decline was masked during the boom by the swollen import returns due to the expenditure of borrowed money. The crude returns show large but fluctuating imports rising to a peak of £8½ millions in the year 1878. The exports meantime increased steadily but more slowly than the increase in

population. If the trade returns are corrected for population and for changes in the price-level so as to show the quantitative volume of exports per head, it becomes clear that between 1871 and 1881 productivity declined in the proportion of 120:100. In other words, the boom period witnessed a loss in trading efficiency of approximately 16 per cent.(12)

Nor is this the whole story. It has been emphasised that the one product of overwhelming importance at this stage of New Zealand's development was wool. There were a few years in the early eighties when it appeared probable that large "bonanza" wheat-farms might develop.(13) In 1883 the export of grain reached a peak of £1,287,000; but the rapid development of refrigeration after 1882 encouraged mixed farming, and wheat became again a commodity mainly of domestic consumption. After the success of refrigeration was assured, exports increased rapidly; but even this real and substantial progress was not sufficient to avert the consequences of the borrowing boom. It took until 1888 to reach again the volume of exports per head that had been attained in 1871.

During the eighties, indeed, and after the great development of refrigeration was well under way, the costs of the boom became evident and had to be met. There is a great deal of evidence concerning the depression of domestic industry, but the best quantitative measure of the rigid economy that was necessary is to be found in the decline of imports. Despite increasing production and exports, New Zealand was able to purchase less and less in the markets of the world. The imports fell off absolutely and still more *per capita*, until in the depth of the depression, which was reached in 1888, the volume of imports per head was only 60 per cent. of what it had been in the boom year 1878 and 20 per cent. less than it had been when the boom started in 1870.

These are heavy costs for any community to pay, and it is little wonder that social conditions became steadily worse, until in the years 1889-90 there was a veritable "exodus" from the country, an excess of emigration over immigration. The labour conditions of this period and the financial troubles that culminated in the reconstruction of the Bank of New Zealand will be discussed in subsequent chapters.

PROSPERITY AND RISING PRICES, 1895-1921

The economic problems which are discussed in detail in the remainder of this book arose in the most recent period of prosperity which followed the turn of prices in 1895. The financial and economic strains of the previous period had gathered together all the forces of discontent in a massed attack upon the Conservatives, who held political power and were commonly regarded as representative of the "landowning oligarchy". Trade-unionism, the movement for women's suffrage, the temperance movement, were reinforced in their radical demands by the advocates of tariff protection, theoretical Socialism, and above all by the increasing numbers of people with a real land-hunger. The eighties were a period of intense political agitation. The culmination of the long depression in the labour troubles and the financial crash that ushered in the last decade of the century gave point and purpose to the agitation. The election of 1890 placed the Liberal-Labour Party in power, and their sweeping victory three years later confirmed their mandate. The remainder of the century was occupied in placing most of their programme of experimental legislation on the statute-books. Factory Acts leading to a complete labour code, drastic land legislation, compulsory industrial arbitration, old-age pensions, and many other novel measures followed each other in rapid succession. The attention of social scientists all over the world was attracted to these experiments, and most of the books descriptive of New Zealand economic problems were written under their shadow, thus giving the country a reputation for socialistic tendencies, which is strangely at variance with its true character.

The fact is that this legislation was really the accumulated result of many years of struggle and resentment against a privileged landowning class in a time of intense depression and economic distress. Not unnaturally the discontent came to a head just when the depression reached its lowest depth. Before the Radical Party could get its legislative programme translated into effective administration the economic circumstances had greatly improved, so that the experiments in State Socialism were carried through into the period of prosperity.

It is quite understandable, also, that the new Government should have claimed and received a good deal of credit for the onset of prosperity, though to an economist this seems to have been due only in slight degree, if at all, to political causes.

The chief cause, indeed, is very clearly the upward turn of the price-level in 1895 and the steady rise in prices thereafter, with only one major setback in 1907, until the post-war boom broke in 1921. Minor depressions occurred after the South African War, and again in 1904 and in 1913. Each of these, as well as the great crisis of 1907, reacted upon New Zealand's prosperity; but they were only temporary checks, and the rising tide of prices carried New Zealand along with buoyant prosperity.

These more favourable price conditions enabled the Dominion to exploit the new industries made possible by the refrigerating processes, now well established scientifically and thoroughly organised commercially. There was a subtle but very important change-over from sheep-farming for wool to more mixed farming in which frozen meat, butter, and cheese assumed greater and greater importance. The farmers supplemented their wool cheques by the sale of fat lambs, breeders paid more attention to the carcass as well as to the fleece of the sheep, and the revolution went right down into such technical matters as the improvement of pastures. Moreover, a great new industry was made possible by the fact that butter, cheese, and other milk products could now be transported half-way round the world to the great European markets. The rapid expansion of dairying has been one of the most important characteristics of New Zealand economic development in the last forty years. It has meant not only that the range of production has been broadened and made more stable, but also that more intensive farming has been possible. Closer settlement, better cultivation, the use of more machine-power, better organisation, and more concentrated labour have meant a substantial increase in productivity.

The prosperity of New Zealand in the pre-war period was based securely upon a genuine increase in productivity, aided and intensified by more favourable prices. Not only were prices rising, but the relative shortage of animal products in the

markets of the world placed New Zealand in an especially favourable position. It is not to be wondered at, therefore, that the pastoral industries assumed a more and more dominating position in the economic life of the Dominion. There was some revival of gold exports in the years round about 1900, owing to the opening of the deep-level quartz-mines in the north island, and the use of improved technical processes in the extraction of the gold. During the South African War, also, there was a temporary spurt in the production of grain; but these were relatively minor incidents, and it is broadly true to say that there has been a marked tendency, continuing till the present time, for New Zealand to concentrate more and more on pastoral production, and particularly upon the dairying industry.

There is one aspect of this development which deserves passing notice. The land legislation of the early nineties was the outcome mainly of land monopoly, which was blocking the progress of the south island. There has been a good deal of closer settlement in the south island provinces since that time; but the great increases of production that have occurred have been mainly due to the opening up of the north island. Vigorous land-purchase policies and confiscation after the Maori wars, road building and railway development, but above all, the encouragement to dairying caused by refrigeration and higher prices, began a steady drift from south to north just before the end of the century. In 1901, for the first time in more than forty years, the population of the north island exceeded that of the south. In the last census—1926—61·87 per cent. of the population was shown as resident in the north island.

The year 1906 is memorable in New Zealand politics. By a curious coincidence the great chief of the Liberal-Labour Party, Seddon, died in that year when economic conditions had arrived at the point where they began to undermine his policies. The next six years till 1912, when the Reform Party came into power backed mainly by the small farmers of the north island, are years of political interregnum. In 1906 the index of land values rose again to the level which had been reached in the boom year 1878. It was more than a coincidence, therefore, that this year should have seen the winding

up of the Assets Realisation Board, which had taken over the mortgaged lands of the Bank of New Zealand. Rising prices had at last wiped out the burden of the great depression. By this time, also, the first impetus of the State Socialist experiments was obviously spent, the trade unions broke away from their former allies and organised the Labour Party; in their industrial affairs, also, they challenged the control of the Arbitration Court and began the first of a series of bitter strikes.

The years following 1906, therefore, were years of political compromise. The land legislation was overhauled and on the whole weakened in 1907. Amendments to the arbitration system were made, and kites were flown by influential ministers suggesting further amendments, without, however, appeasing the growing Labour opposition to the Court.(14) In 1912 the change of political fortunes was complete, and the new Government lost no time in taking up the Labour challenge and also in reversing the trend of land legislation away from leasehold and back to the freehold. Before the Great War began, prosperity had undermined the support of the so-called experimental legislation, which had been fashioned in a time of economic distress. The pathological necessity for such legislation had passed away and the true conservative temper of New Zealand stood revealed. A nation of prosperous farmers seldom evinces radical tendencies and New Zealand had proved no exception to the rule.

The advent of the Great War in 1914 found New Zealand a contented, prosperous country, whose wealth was based mainly upon the increasing productivity of the pastoral industries. There is some evidence that productivity was not increasing after about 1910 in anything like the proportion which had been evident for the previous two decades.(15) With prosperity had come slackening of effort. There was an increasing drift to the towns, the urban industries were growing relatively faster than the primary rural industries, the professional and commercial occupations increased disproportionately, and there was a disturbing tendency towards excessive public borrowing.

These facts were masked by the constantly rising level of prices, which brought greater and greater wealth to the

Dominion. Judged by any monetary test, the pre-war period was one of great prosperity. Savings-bank returns, insurances, overseas trade, land values, income-tax returns—all the recognised tests of prosperity tell the same story. Most convincing of all is the steady and rapid increase of the population, both by natural increase and by immigration. For the forty years preceding 1921 the population of New Zealand was increasing at the steady cumulative rate of 12·11 per cent. every five years, which is a faster rate than that recorded in the same period for any other country in the world.(16)

While there was naturally some unsettlement and uneasiness at the outbreak of the war, and while New Zealand took her full share both by the provision of fighting men and by shouldering a heavy deadweight burden of debt, yet it is probably true that on balance she received some economic gain from war conditions. The war demands for raw materials and food-stuffs, together with the further steep rise in the price-level, contributed materially to her enrichment. At the end of the war, therefore, her economic position was enviably sound.

It was probably inevitable that the post-war inflation of prices, and the consequential boom, which was worldwide, should have affected New Zealand. Economic and financial fluctuations of this character are inevitably transmitted to the Dominion from Great Britain by reason of the banking and monetary system, by which the New Zealand currency is, within narrow limits, pegged to the pound sterling.(17) It will be argued in a later chapter, however, that the post-war boom in New Zealand was greatly aggravated by unsound public finance, and particularly by lavish borrowing for public works and for the purchase of lands upon which to carry out a costly policy of repatriating the returning soldiers.

Whatever the causes, the speculative boom in land values and all the related hectic manifestations of fictitious prosperity reached unprecedented heights in 1920. Butter-fat was selling at 2s. 6d. per lb., and dairying land was being sold for prices that now seem fantastic. This was the exaggerated culmination of a quarter of a century of prosperity built upon a price-level which had been rising so long that it was expected not only to keep on rising, but to rise ever faster and faster.

THE STRAIN OF FALLING PRICES, 1921

The denouement came suddenly in a collapse of export prices in the season 1920-1. To the farmers sitting in dismayed silence in the galleries listening to the wool-buyers bidding dispiritedly for odd lots, the new level of prices spelt difficulty if not bankruptcy. Those who had bought land at high values, based upon the high prices of the years immediately preceding, found their returns quite inadequate to meet their heavy obligations. The fall in dairy prices, as always, lagged by a year, but when it came was even more disastrous, since speculation had been worse in the dairying industry. Prices revived in the years 1923-5, but slumped again heavily in 1926 and 1927. Through the revivals and slumps of this whole period there runs a definite downward drag of the price-level, and in consequence there are strains and stresses through the whole economic structure of the Dominion.

It has become clearer than ever that under cover of the pre-war prosperity there had been a loosening of efficiency and a general tendency to demand higher standards of living for less effort and output. There has been an elaboration of commercial and Governmental services which may prove to be greater than the community can support; labour conditions have greatly improved, and standards of living, in such matters as housing and motor-cars, have risen sharply. There was in the period of prosperity, also, some tendency to less efficient farming under easier conditions. It resulted naturally from the speculative attitude adopted by farmers in times of rising prices. If one eye is firmly fixed on the property market, preparation for the produce market is apt to suffer.

In a rising market, also, the tendency is for the speculative value of land to keep well ahead of its actual productive value, and the opportunity is always present for successful speculators to retire early from actual production and form a leisured class, living in the towns upon receipts of interest from mortgage and investment.(18)

The truth of the matter seems to be that the forces of unsettlement due to land speculation, lavish public borrowing, and private extravagance were sufficient just before and during the war and post-war boom to check the gain in pro-

duction from natural advantages in dairying. The high prices of the boom period served to cover up an increasing relative decline in productivity. What were merely hidden weaknesses in a time of prosperity become serious drains in adversity, and New Zealand is facing the necessity of extensive readjustments in almost every department of her economic life.

The most fundamental difficulty has been and still is the reduction of farming costs (including mortgage interest) to levels comparable with the new levels of export prices.⁽¹⁹⁾ Despite the fluctuating and at times very high prices of some recent years, the farming industries as a whole have suffered heavily. There have been and must still be reductions in land values: some land has gone out of cultivation, a great deal more has not been adequately worked for lack of adequate capital, and generally there has been a marked economic weakness in the rural industries which has been reflected in a drastic curtailment of rural employment.

This in turn has concentrated unemployment in the towns and so raised problems of wages and of poor relief. The immigration policies of the Government have been strongly attacked and temporarily restricted. The arbitration system, caught between economic stringency and high costs of living, has not escaped drastic and sustained criticism.

The urban industries, and some of the rural industries, notably wheat-farming (which has become dependent upon the local market), have gone to the Government for assistance, mainly in the form of tariff protection. The rural industries, generally, have used their political power to push through experimental measures of agrarian Socialism such as legislation establishing various pools, and the payment of subsidies upon such subsidiary exports as fruit, eggs, and honey. Their agitation for increased rural credit facilities has as yet been less successful, though a beginning has been made on sound conservative lines and experiments in the reorganisation of long-term mortgages are now being carried out.

The public finances have not escaped some measure of disorganisation. The burden of deadweight debt was greatly increased by the war, and taxation remains high. In a time of high taxation and economic stringency inequities become

manifest, and these have been the subject of much critical discussion in recent years.

Such are the economic problems which have been revealed by the recent fall in prices. The remaining chapters of this book are devoted to a more detailed examination of some of the more important of them. Such an examination is easier and more profitable in a time like the present, when a sudden change of fortune has bared weaknesses which might not be so apparent in times of easier prosperity. But it would be quite false to conclude therefrom that New Zealand is in a state of economic distress and social disorganisation. There has been a sharp descent from the heights of fictitious prosperity achieved in the boom period, and the fall has been cruelly hard on certain sections of the population. But it still remains true that New Zealand is in a very enviable position compared with other lands. Population still increases very fast and immigrants are still attracted by the better conditions obtainable there. The rate of infant mortality, test *par excellence* of social prosperity, is the lowest in the world, and still falling. In her volume of overseas trade New Zealand surpasses any other country. Her wealth per head is surpassed only by the United States of America. It would be difficult to find any other country where wealth is more evenly shared, and this fact in itself is sufficient to lend interest to the problems of economic and social organisation discussed below.

THE INFLUENCE OF THE EXTERNAL MARKET

The main periods of economic development indicated in the preceding sections tend to precede and foreshadow political events. From the political and constitutional point of view the important events of New Zealand history are the appointment of the first Governor in 1840, the inauguration of responsible government in 1852, the abolition of the provincial legislatures in 1876, the advent to power of the Liberal-Labour Party in 1891, and the triumph of their opponents in 1912. The interaction of political and economic events is very clear in a new country, but the economic historian naturally finds somewhat different landmarks from those which attract the attention of the political theorist.

It will be obvious that the division of the economic history

of New Zealand into five periods, beginning in 1840, 1851, 1870, 1895, and 1921, corresponds roughly with similar periods marking fluctuations in the long-term trend of the world-level of prices. New Zealand was founded at a time when prices had been falling for many years. The first ten years of settlement, from 1840 to 1850, were rendered more difficult by the depressing effects of falling prices. The discoveries of gold in California and Australia were partly responsible for causing the price-level to rise in the fifties and sixties, and this undoubtedly was a main cause of the first period of prosperity during the gold-rush period. The adoption of a gold-standard currency by Germany after the Franco-Prussian War was the chief proximate cause of that trend being reversed. From 1874 prices fell steadily, and as they fell, New Zealand lapsed into deeper and deeper depression. The gold discoveries in the Transvaal marked another turning-point in the value of gold in relation to goods in general, and prices moved upwards after 1895. This rising tendency of prices was in evidence with few checks until 1921, and prosperity was general in New Zealand during this time. Since 1921 violent fluctuations have been followed by a downward drag of the price-level, and the strain so caused has laid bare many latent weaknesses in the economic organisation of the Dominion.

To state this coincidence of New Zealand development with the movements of the general level of world-prices is to do no more than draw attention to the fact that progress in New Zealand is largely dependent upon economic conditions in the outside world, and especially in her chief market, Great Britain. This does not mean that the historian can neglect significant happenings within New Zealand itself, such, for example, as the outbreak of Maori wars, which drove settlement into the southern provinces; the subsequent development of the north island, which in a later period reversed the whole political and economic outlook of the country; the creation of new industries by such inventions as refrigeration, and the growth of domestic industry in general. Political policies also, such as the abolition of the provincial system, have not been without important economic reactions. But it remains broadly true that probably the most significant factor affecting the fluctuations of prosperity in the Dominion is

the influence of the external market for her products. The organisation of her economic life, therefore, is most conveniently and profitably studied in the setting provided by her place in a world-economy.

The fluctuations of the price-level are important to any country which like New Zealand is necessarily both a primary producer and a borrower. In a time of rising prices her exports, mainly raw materials and food-stuffs handled in bulk wholesale markets, are sold for prices which catch the upward tendency of the market at least a year before the consequential imports—manufactured goods for the most part—can filter through the retail markets and put up costs in the Dominion. When the rising tendency is continued year after year, as it was from 1895 to 1921, certain fixed costs of production, notably interest on capital borrowed from abroad at a fixed rate for long periods, become less burdensome. With the greatest overseas trade per head of any country in the world, and a very large overseas indebtedness both public and private, New Zealand is affected more than most countries by price movements, or as modern economists phrase it, by variations in the “real terms of international trade”. Her domestic development is as yet too small to provide a very effective counterpoise to fluctuations in external conditions. Moreover, the great bulk of her produce is exported to the London market, which itself is peculiarly sensitive to international influences. Broadly speaking, therefore, it may be said that a rising price-level brings prosperity, and a price-level which tends to fall brings economic stringency.

There is a larger sense also, in which the whole economic development of New Zealand may be regarded as part of the process of the industrialisation of Great Britain. During the nineteenth century a new economic world has been called into existence to redress the balance of the old. An urbanised and industrialised Europe has needed new sources of food-stuffs and raw materials, and the opening up of new markets and avenues for investment. The rapid economic progress of New Zealand affords an excellent illustration of the impact of these needs upon a virgin undeveloped land.

There is some temptation to forget that from the beginning of British colonisation a native question has existed in New Zealand. At the present time the Maoris are so outnumbered

that they tend to be regarded merely as romantic survivors of an interesting but passing race. Yet New Zealand affords a classic illustration of "economic imperialism". There are few better examples of the interaction of trading enterprise with missionary endeavour and colonising initiative. It is to be remembered that the period in which New Zealand was settled was one of the most aggressive periods of British overseas expansion. That great up-welling of national vitality which followed the increased command over natural resources which we now call the Industrial Revolution found vent both in vigorous trading and in missionary activity, as well as in colonisation.

It is more than a coincidence that the same year, 1840, which saw the first arrival of colonists in New Zealand was the year in which Britain fought the war which first opened up the ports of China to European commerce. Both events proceeded from the same economic situation in Great Britain. The coincidence, moreover, provokes the reflection that the economic forces which awoke these widely separated regions to new life have eventually brought them into contact with each other as well as with Europe. The economic history of New Zealand is an episode in the creation of a new world in which the Pacific Ocean is destined to play an increasingly important part.'

CHAPTER II

THE ECONOMIC STATUS OF THE MAORIS

THE RACIAL HERITAGE

The Maoris have provided an element of romance and colour in the history of New Zealand of which full advantage has been taken by many writers.⁽¹⁾ Their feats of seamanship and exploration, the savage outrages and cannibal feasts in the first period of contact with Europeans, the murderous tribal warfare that followed the introduction of firearms, and the gallant struggle made to preserve their lands from Pakeha aggression—these have often been described. In the attention paid to such picturesque episodes, however, something less than justice has been done to the less romantic but more important aspects of Maori life and character which emerge from a study of their economic problems. The day of the warrior is long past. The Maori at the present time faces baffling problems of social and economic reorganisation. He must adjust himself to a civilisation centuries removed from that in which his neolithic ancestors lived only a few short generations ago. As a leading chief has recently put it, he must start out again on a new voyage of discovery, to discover and settle in the realities of his new world.

It is important, therefore, to emphasise the fact that the Maori life of pre-European days was laborious and highly organised. It was not a continual round of tribal wars and cannibal feasts governed by complicated ritualistic "tapus". The worst of these features of savage life occurred after and not before contact with the different and more variable ethics of white civilisation. The normal run of life was far too dependent upon systematic and laborious cultivation with primitive implements for anything like continuous indulgence in the luxury of fighting. It was in fact a highly disciplined existence that was led by the old Maori.

This is the reason why Maori leaders of the present day appeal so confidently to past tradition as a sure guide to the solution of modern economic problems. Their appeal is not merely to a somewhat idealised pride of race. They speak in definite terms of heredity. Knowing the family history of their

people in great wealth of detail as far back in some cases as twenty-five generations, they speak with assurance, not only of the industry and ability possessed by Maoris generally, but of the particular combinations of personal qualities inherited by individuals from their ancestors. When the dairying experiment mentioned in a later section of this chapter was being urged upon the Ngati Porou tribe by certain younger men of modern education and outlook, the elders to whom they took their appeal delivered judgment in these significant words:

We understand that the matter under debate relates to the production of food. This is a Pakeha method of producing food, butter, to send to London, where the people of England may buy and eat it. Very good. Your ancestors cultivated taro and kumara with great care, patience, and knowledge. It is true that in some seasons the crops were plentiful, and in others they were poor. But they went on cultivating because it was necessary to their life. We sent you to school and out among the Pakeha to learn his way of doing old and new things, and to bring the knowledge back to your villages. You are now called upon to use it. The rest you have in you from your forefathers. Therefore we say—go ahead.

There is ample justification in their history for this superb confidence. After adventurous voyages of discovery and exploration the Maoris came to New Zealand, stopping at many Pacific islands by the way, in thoroughly planned and carefully executed colonising expeditions. The outline of these voyages is known, but their epic story has still to be written. It will need to be written by a member of the Maori race who can piece together the fragments of old songs, shadowy myths, genealogical trees, and exploits of heroes, till definite personalities take shape against the dim background of their homeland, Hawaiki. The story grows clearer and fuller as they journey from island to island and finally catch Maui's last and greatest fish, Te Ika a Maui, the north island of New Zealand.

Having conquered the distances of the Pacific Ocean they had still to achieve the conquest of their new and more exacting environment. Their settlement and colonisation of New Zealand involved adaptation to a more rigorous climate and experimentation with new types of food, implements, clothing, and shelter. When the first European explorers came to the islands this adaptation had been accomplished. From the

materials and craftsmanship they brought with them, the Maoris had worked out characteristic arts and crafts of a highly conventionalised type, but displaying both industry and artistic skill. By this time they were not only the most numerous, but the most vigorous, branch of the Polynesian race, with carefully elaborated social and economic organisation. It is the province of the anthropologist rather than the economic historian to describe their life at this stage; but the qualities of character revealed even in a cursory analysis are of profound economic significance to-day. Sir Apirana Ngata has stated this fact in words that cannot be bettered. Describing an "ohu" or working bee as he saw it even as recently as forty years ago, he writes :

The spirit of the old usages prevails—leadership, co-operation, communal discipline. May not this same spirit still prevail in these later days, now that the spur of necessity is once more applied, now that the mist is lifting from before the eyes of the youth of the race and they see that what was achieved by their neolithic ancestors is possible in the present with all civilisation to help, if only the spirit of the intrepid Polynesian navigators, of the patient, orderly, and disciplined agriculturists, of the expert nature-taught fowlers and fishermen, of the ingenious boat-builders, carvers, and artists, were revived in their descendants.

An economic historian is bound to state also that Maori industry has not been confined to the cultivation of food-supplies for their own people. The technical organisation of ancient Maori agriculture had little to contribute to civilisation, though it should not be forgotten that in the earliest stages of colonisation the Maori farmers, profiting by missionary instruction, supplied the European settlers with large quantities of food-stuffs. Thomson, writing in 1859, gives statistics of canoes arriving at Auckland with foods valued at £16,180 in 1854. This included 3,715 bushels of wheat.⁽²⁾ It will be argued later in this chapter also that in combining communal landownership and tribal organisation with modern methods of rural co-operation and modern technique the Maori has within the last two decades been making a contribution of considerable economic significance. In technique, however, the Maori was still in the Stone Age. He had little capital and has had to depend largely upon the Pakeha for that necessity of modern production. His land tenures, and the tenacity with

which he fought to preserve them, were a considerable obstacle to economic progress for many decades. But there is one respect, the supply of labour, in which he made an immediate contribution of the utmost importance to the economic development of New Zealand.

There has grown up a tendency to underestimate the place of Maori labour in the economic life of the young colony. It is true that at the present time the Maoris are so heavily outnumbered that their labour supply is a relatively minor factor. In earlier days, however, from the time when visiting sea captains impressed Maori sailors to fill vacancies in their crews, Maori labour was a factor of considerable importance. Much of the real drudgery involved in "carving homes out of the wilderness" has been the work of Maori hands. The pioneer work of bush-felling, scrub-clearing, fencing, still draws heavily upon Maori labour. Nor is this the whole story. Road-making, sheep-shearing, coal-mining, gum-digging, even railway construction, have in certain areas depended a great deal upon the Maoris. It was not to be expected that technical occupations would be open to them in earlier days, but at the present time the service cars of many motor-omnibus routes in the north island are driven by Maori mechanics, and there are not wanting examples of skilled workmen in other occupations. Agriculture, however, remains their primary concern, though in any occupation of manual dexterity, particularly if it can be performed by teamwork involving some measure of communal co-operation, the Maori worker is second to none. No one who served in the New Zealand Expeditionary Force is likely to forget the speed and skill with which the Pioneer Battalion, composed wholly of Maoris, built roads and dug trenches.

Despite the vicissitudes through which they have passed, therefore, and their reputation among certain Pakehas who have only known them in the difficult days of transition, there is no reason either to underestimate the economic contribution they have made to New Zealand in the past or to doubt their capacity under proper conditions for sustained and exacting labour, skilled craftsmanship, and patient agriculture.

BRITISH "IMPERIALISM" IN NEW ZEALAND

The melancholy story of declining population begins with the advent of the white traders.(3) There seems little evidence that any previous decline had set in from causes peculiar to the native organisation. On the other hand, there are clear records and traditions of the introduction of disease by the whalers and other early visitors. At a later stage infectious epidemic diseases swept the country and inspired great terror among the natives, leaving behind memories that are still potent. The Maoris can hardly be blamed if they regard such terrible visitations as akin to the dreaded "makutu", the black magic of the tohunga.

It is clear that the resistance of the Maoris to disease was lowered by psychological causes of this kind. The consequences of abandoning their old industrious habits of life were even more serious. In some districts they came down from their hill fortifications to lower ground, and avoided the drudgery of cultivation by trading with the Pakeha, which did not tend to improve either their moral or their physical stamina. In this, however, as in most other respects, the history of every tribe is different. There are some which had very little contact with the Pakeha, and others where a good deal of understanding and respect for ancient customs was quickly swept away.

The white man also introduced alcohol to a race that had not previously used fermented beverages and, still worse, introduced and encouraged the use of firearms. The incessant murderous wars that occupied the first thirty years of the nineteenth century, and the outrages perpetrated in the same period upon white communities as "utu" or revenge for injuries, constitute one of the worst blots upon the record of the contact of European civilisation with native races.

These destructive forces of civilisation preceded the constructive work of missions, Government, and schools by at least a generation. Trade began to increase in the last decade of the eighteenth century. The first missionary visit of Samuel Marsden was not made till 1814, lay workers were stationed at the Bay of Islands from that year; but the Wesleyan Mission dates from 1822, and Henry Williams did not begin work in New Zealand till 1823. There are few mission fields that have

rendered a greater harvest both of direct conversions and of indirect influence. To this day the "mana" (prestige) of the early missionaries is very powerful, and their influence on Maori development is gratefully recognised as wholesome and constructive by almost every leader of the race. But they were sadly hindered by the lawlessness of the white trading communities and the lack of organised government. They were not unnaturally associated in the Maori mind with their fellow Pakehas, whose manner of life was hardly Christian. The bitter sectarian controversies, intensified by the appearance of Roman Catholic missionaries, were also a cause of stumbling to the Maoris, if only because they entered so readily and with such zest into the rivalries thus created.

Both the missionaries in the field and the officials of missionary societies in London were opposed for some time to the proposals made by Edward Gibbon Wakefield to colonise New Zealand with British settlers. The steady opposition maintained by the Colonial Office to the schemes of the New Zealand Company was in accord with the *laissez-faire* philosophy of the time; but it was encouraged by the fears expressed in mission circles concerning the effects of colonisation upon the welfare of the Maoris. Historians are now generally agreed that the worst abuses of the period before organised settlement were due to the lack of Governmental control. Mr. Reeves, in a famous passage, has placed the responsibility squarely upon the Colonial Office.(4) It has, however, required a century of development to evolve the sense of trusteeship for native races which is embodied in the mandatory system of the League of Nations. In the early nineteenth century such a constructive idea was hardly conceivable, and the thought of missionaries and Government officials hardly went beyond the negative conception of keeping hands off the native races, whose welfare is now regarded as "a sacred trust of civilisation".

Recent historical research has stressed the solicitude of the Colonial Office for Maori welfare as the chief reason for the official opposition to colonising schemes.(5) There was no indecent haste on the part of the British Government, but on the contrary the utmost reluctance to add New Zealand to its responsibilities. It seems obvious now that a far-sighted statesmanship might have conserved Maori welfare at the same

time as it promoted settlement. The Maoris suffered badly from the failure of British officials to envisage this possibility; but at least those officials are free from the charge of disregarding native welfare in an effort to extend imperial boundaries.

When it became evident that the islands would be colonised by other Powers if not by Britain, the attitude of both missionaries and officials began to change. Formal Governmental action was forced in 1839 by the dispatch of colonists under the aegis of the New Zealand Company. A governor was appointed immediately, with instructions to treat with the natives for the cession of their lands. The settlers arrived at Wellington on January 22, 1840, the Governor reached the Bay of Islands a week later. Thenceforward the efforts of the Governor and of the missionaries were directed towards safeguarding the interests of the natives not only against the Company's settlers, but against the horde of land-sharks who had descended upon the islands as soon as it became evident that organised government could not long be delayed.

The main step taken was the negotiation early in 1840 of the Treaty of Waitangi, by which leading chiefs acknowledged the sovereignty of Queen Victoria and were confirmed in the ownership of their lands. (6) In the negotiations for this Treaty, Governor Hobson had the advice and assistance of Henry Williams and, along with other missionaries, Henry Williams travelled the country securing the signatures of those chiefs who were not present at the Waitangi meeting. Hobson followed up the Treaty with a proclamation suspending all land sales until their validity could be investigated by a commissioner appointed for that purpose. In this way the Crown established its right of pre-emption over all the land of New Zealand, and saved the natives from being despoiled of their heritage at the very outset of their contact with the colonists.

The policy embodied in the Treaty ended the activities of the land-sharks who had swarmed into the colony. It was a sore blow also to the Wakefield settlers in the Cook Strait region and the prime cause of their distress in the first decade of colonisation. Its consequences involved the New Zealand Company in financial troubles that finally wrecked it. Of more importance still, the paralysing controversy between the Colonial Office and the Company in London was extended to

include the Governor and the settlers in New Zealand. It was not lessened in bitterness by the hasty and unfortunate steps which the Company had taken in attempting to purchase Maori lands, in sending out immigrants before land was securely in its possession, in negotiating with a German syndicate for the settlement of the Chatham Islands, and in drawing up a code of regulations which eminent counsel ruled to be an infringement of the sovereignty of the Crown.

On their part the settlers had reason to complain not only of the lack of imagination displayed by the Colonial Office, but of the irritating delays and positive blunders involved in the official policy. There is no reason to regard Wakefield and his associates as mercenary land-grabbers nor to underestimate their high motives. The published statements of the Company always laid stress upon the setting aside of adequate native reserves. Nor were the settlers invariably hostile to the natives. Many of them, like Fox and Featherston, were champions of the Maori cause in later years. There is no doubt, however, that the controversy rushed both the Government and the settlers into precipitate action. The intricate complexity of Maori customary land tenure and the delicacy of Maori etiquette presented baffling problems out of which arose misunderstanding and ultimately conflict. It was perhaps inevitable that the officials of the Government should gradually be forced into defending Maori rights against the settlers' desire for land, and that the settlers should become impatient and embittered against both officials and Maoris.

The Maoris themselves had rather welcomed the advent of the useful white man. They were especially keen on getting supplies of firearms for their new methods of warfare. But they were quick to recognise the consequences of organised settlement. They realised that if it continued they would need to conform to its ways instead of using it for their own purposes. Their suspicions were aroused by the haste with which the settlers sought lands for cultivation and by their lack of understanding of Maori usages. In some parts of the country leading chiefs had refused even to sign the Treaty of Waitangi, so little did they trust the white man and his fair promises. In other districts the first trust quickly passed into disillusionment and hostility. Incidents occurred in the Hutt Valley, at Wairau

in the Nelson Settlement, on the Wanganui River, and in the far north at Hokianga, where leading chiefs took their disputes with the settlers to the arbitrament of war.

By 1850, therefore, there were all the elements of trouble. It was well for the future of New Zealand that at this stage the main stream of colonisation was diverted to the south island, where the Maoris were fewer and less aggressive. During the fifties, and still more after the discovery of gold in the sixties, the progress of the south island provinces provided a solid basis for the growth of the colony. The ease with which the land was purchased both in Otago and later in Canterbury removed what continued to be the greatest cause of unsettlement and economic depression in the north.

A STRUGGLE FOR EXISTENCE

The second series of Maori wars, which began in Taranaki in 1860 and was not finally ended till 1872, has always been a disconcerting theme for New Zealand historians.(7) The first series of local outbreaks, beginning with Hone Heke's war in 1843, was ended quickly by Sir George Grey's effective military measures(8); but more by the fact that he won the confidence of Maori leaders, who were once again persuaded to sell land and to treat with the Government on a basis of confidence. It is not easy to explain away the fact that, despite the Treaty of Waitangi and the scrupulous care with which it was observed by the first governors, and despite the renewed confidence which the Maoris placed in Sir George Grey, the second series of Maori wars can only be regarded as a desperate struggle by the natives to preserve their interests in the face of what they regarded as Pakeha aggression. The fact is unpalatable but inescapable. By 1860 the Maoris in almost every district where they had come into close contact with the settlers were convinced that they had no alternative but to defend their land by war.

The causes of the wars go far back beyond the somewhat trivial incidents which precipitated hostilities. There is a Maori proverb that war is waged for land and women. The complexity of Maori land tenure is proof also of the importance attached to landownership. After their first experiences with organised settlement, however, Maori leaders began to realise

that land was what the Pakeha wanted. Many of them saw that the goods offered in purchase of their lands, however tempting, were inadequate.

The things you give us [they said] are nothing like the value of the land. That lasts for ever, but what will become of our blankets? They will become sick or dead. What becomes of your tomahawks? They will be sick or dead. Glass and iron are brittle. You are going to steal our land from us; your payment must be good to us. There is this tree. If one branch falls there will come another. It will remain to your children, but what will become of our children when these things are worn out?

The Company's settlements caused the first real clash of interests. Earlier purchases of waste lands or small areas were in practice not very different from Maori tenure. There were no fences, merely a right of occupation and use, with certain spots, such as the storehouse and sleeping-rooms, "tapu" (sacred). Trouble came with the fence and the sign "Keep Out".

It is not surprising, therefore, to find that as early as 1848 and in the Wellington district, where the first colonists had settled, there was a definite movement for the formation of a Land League to sell no more land to the Pakehas. The leader of this movement, Wiremu Kingi, soon afterwards migrated to his ancestral lands at Waitara, and in 1857 organised the Land League on a definite basis. The Maoris have always regarded it as significant that the very land on which he was living should have been the cause of the Taranaki War. A brief glance at the circumstances is illuminating. The Taranaki tribes had had a chequered history. Their strength had been drained by the migration of many of their numbers with Te Rauparaha to Wellington. In their weakened condition they were beaten by their neighbours to the north, the various tribes of the Waikato district. Many of them were enslaved, others were driven into exile, taking refuge with their fellow-tribesmen in the Wellington district, and even in the Chatham Islands. All of these retained in Maori custom their rights to the land of their forefathers, since there remained members of their family who "kept the fires alight" on their ancestral lands. The agent of the New Zealand Company treated with the natives whom he found in occupation of the land and bought from them the lands on which the Taranaki colonists settled, including the

Waitara block. This purchase was declared valid by the commissioner who investigated land claims after the Treaty of Waitangi was signed. One result of the coming of the Pakeha, however, was to facilitate the return of the Taranaki people. Slaves were set free under the influence of Christianity, and exiles returned when the Pakeha Government established peace. Under Maori custom these returned members of the tribe had valid rights to the usage of the land. Governor Fitzroy in 1843 reversed the commissioner's decision and declared the Company's purchase of the disputed lands to be invalid. Wiremu Kingi, who had migrated from Waikanae in 1848, had been living on the block and cultivating it for more than ten years when another chief of subordinate rank, named Teira, sold it to the agent of the Government in 1859. The Governor of the day, who lives in Maori memory as "a stiff soldier", or more graphically still, "Angry Belly", accepted the contention of the purchasing official that Teira was the rightful owner of the land. Wiremu Kingi passively resisted all attempts to occupy the land, and out of the feeling thus created hostilities naturally developed.

The Maoris felt, and still feel, that their case was absolutely valid and that the aggression was on the part of the Government, egged on by the settlers who were so urgently in need of land for expansion. This Maori contention was upheld at the time by such men as Bishop Selwyn and Sir William Martin; it was admitted after enquiry by Sir George Grey when he was recalled to take control of the situation in 1861, and it is now generally recognised to be true. The Royal Commission set up to enquire into Maori land confiscations in 1927 definitely accepted the Maori case as proven.

There were many other elements which entered into the conflict, but land difficulties of the type just mentioned were the chief. Beneath them all was the deepening suspicion of the Maori tribes that the Pakeha meant at all costs to have their lands, and the fear of what the future might hold if once they parted with the land on which was based the only way of life they knew. There is no doubt that to the settlers they appeared merely obstructive or insolent; but they were fighting a losing battle for the retention of their old customs and culture. The tribes have never at any time presented a united front, and during all the period of hostilities there was never

anything more than sporadic fighting in one district after another.

Even in the western districts, where feeling was strongest and where the King movement seemed to unite three powerful tribes under the leadership of the so-called Maori King and his able adviser, Wiremu Tamihana, there was great diversity of opinion. Disaffection was rife from Taranaki to Auckland, among all the Maoris who felt the pressure of settlement from north and south. The east coast and Urewera tribes were sheltered behind their mountain frontiers from the first impact of Pakeha land-hunger.

The Government failed to distinguish, within the King movement, between the constructive efforts of the moderate party headed by Tamihana, which sought by peaceful and orderly means to redress the genuine grievances of their people, and the defiant words and actions of the war party headed by Rewi Maniapoto. The Government failed also to appreciate the effect which Pakeha law had had in undermining the tribal authority of the chiefs without substituting therefor any adequate means of social discipline. So great was this failure to appreciate the inner significance of the situation that Gorst, probably the most detached and impartial observer of the King movement, came to the definite conclusion that the only hope for the Maoris was to remove the administration of native affairs from the control of the colonial legislature, into which it had passed at an early stage in the war, and vest it once more in officials appointed by the Colonial Office.

As the misunderstandings grew deeper and hostilities spread, the Maori "rebels" in their chagrin and disappointment tended to regress to the worst aspects of their pre-European savage life. Modern psychology helps one to glimpse the repressions and disappointments and hatreds that found vent in barbaric rituals and atrocities. The fantastic Hau-Hau religion, described by Sir William Fox as "a large infusion of Judaism, some leading features of Mormonism, a little mesmerism, a touch of spiritualism, occasional ventriloquism, and a large amount of cannibalism", shocked and revolted not only the Pakehas but also the friendly Maoris. It was difficult at the time to realise that behind these manifestations of a savage spirit was the real psychological injury resulting from un-

redressed grievances and a sense of hopelessness, futility, and frustration. It was even more difficult to appreciate the very real religious feeling behind them and to realise that even the fanatical Hau-Hauism with all its barbarity was, as a modern Maori leader has recently written of a later cult (the Ringatu movement introduced by Te Kooti) :

a system, built up entirely by Maori leaders, which in its simplicity, in its ritual, in its methods of government is more within the comprehension of the Maori mind, and appeals more to his heart than any religious organisation imposed on the people and governed from without. Its lure may be its simplicity, or it may be that it is deemed to be the refuge of those who revolt against the complexities of modern religious systems, or even difficult moral standards. But with all its faults it has deep lessons at this day for the would-be workers among the Maoris.

The long-continued wars and their accompanying unsettlement paralysed the progress of the white communities in the north island ; but their effects were far worse on the Maori tribes concerned. As the war proceeded and plunged the colonial Government further into debt a demand arose for confiscation of the lands of the tribes engaged in the conflict. There was violent controversy at the time concerning the proposal. The Governor was instructed by the Colonial Office that he might sanction confiscation as a measure of punishment but not as a measure of financial relief to the colonial Government. The general commanding the regular army in New Zealand openly accused the ministers of using imperial troops to rob the natives of their land.

As a measure of financial relief to the Government the receipts from the confiscations, which totalled £26,738, were insignificant. The area confiscated ran into millions of acres, but some of it was afterwards returned and some was purchased by the Government.(9) Lands which were declared forfeit in some districts were reoccupied by their former owners and allowed to remain in their possession. In other districts the most actively hostile tribes escaped comparatively lightly, while tribes that were far less culpable had their best lands taken from them. The Maori of the present day bitterly remembers that where injustices of this kind were perpetrated the net result always was that the best land for Pakeha purposes was lost to the Maoris, whether they were clearly guilty or not.

Not only was there injustice among the tribes who were leagued against the Government, but even friendly Maoris were involved. The complexity of land tenure is such that these groups within the disaffected areas who were either passive or active allies of the Government had rights of ownership over much of the confiscated land. Moreover, the rewards of friendship were far from justly distributed. Families and individuals who had given loyal service waited vainly for recognition and reward, too proud to present their claims. Others less scrupulous in such matters were better treated.

The legacy of the wars in all these respects was a psychological situation far more important in its ultimate results than the immediate economic consequences of either the war or the confiscations. It is difficult and perhaps impossible to disentangle its effects from those of the subsequent land-purchase policies described in the next section; but it is important to remember that over a large part of Maoridom there was this feeling of utter despair of justice at the hands of the Pakeha.

The feeling was strongest in tribes which had from the beginning distrusted the Pakeha and had even refused to sign the Treaty of Waitangi. It took different forms, according to the leadership of the tribe. In some cases the tribe was welded more closely together than ever and in face of discouragement and economic difficulty fought a successful battle for survival while refusing to accept Pakeha co-operation except in the most limited and necessary degree. In other tribes the loss of their land, which they had defended vainly in what they believed to be a fair fight for a just cause, resulted in the apathy of frustration and contributed quickly to the rapid spread of disease and depopulation.

Generally speaking there was a loss of faith in the Pakeha's justice, and consequently suspicion of every action of the Government as well as of the settlers. The results of the land-purchase policies confirmed this suspicion. The Maori seemed to lose at every turn. The natural consequence was a refusal to follow out a policy of co-operation with the constructive Governmental agencies. Government efforts in a later period to provide schools and medical assistance, as well as more complicated measures looking towards redress of grievances and economic reconstruction, have been met with sullen

passive resistance. The tribes so affected lost at least a generation and a half of reconstruction, and in that loss was involved impoverishment, which now hampers them at every turn. The recent renaissance of the Maori people began significantly enough in tribes which were protected by their remote isolation from the brunt of early contact with the white man and his devouring civilisation. They are blazing a possible way for other tribes to follow, but it is not easy in a short time to cast off the effects of a generation or two of resentment, suspicion, and distrust. Nor is it easy to recover the necessary means of development. In the present stirring of new life throughout the Maori tribes it is broadly true to say that those who have so far lagged behind have done so mainly because of the fact that they suffered most in the transition period by reason of the situation of their lands. Every tribe has a different story, and it is impossible to generalise; but all the stories are combinations of the elements described above, together with the even more disastrous results of land sales sketched in the following section. In them all the psychological consequences of the experiences through which they have passed form an extremely significant group of factors.

THE PEACE OF THE PAKEHA

One of the chief causes of friction in the period prior to the wars was the lack of adequate Governmental machinery to determine the ownership of native land and complete its purchase upon an equitable basis. Most of the conflicts which arose trace back to the fact that sale or lease was allowed to become effective before full enquiry into native ownership had been completed.

By the Treaty of Waitangi (1840) it had been rendered illegal for private individuals to purchase land directly from the Maoris. The Crown had established its right of pre-emption. This right was waived temporarily in favour of the New Zealand Company, which was allowed to retain possession of a proportion of the lands which it claimed to have bought. Certain of the purchases made prior to the Treaty by private individuals were allowed also, and much of the land surrendered by the Maoris but not allowed to the purchasers was created Crown land. This is the foundation of the problem of

“surplus lands” in the North Auckland peninsula, where the Maoris have never been able to appreciate the justice of the Crown’s action in seizing on land resumed from private purchasers. The New Zealand Company was further allowed to purchase land in the south island on behalf of its related project, the Otago Association. In 1844 also, Governor Fitzroy, in a desperate effort to promote settlement, had issued proclamations waiving the right of pre-emption generally. His proclamations were disallowed, he was recalled, and only a small proportion of the claims made under the proclamations were validated. In 1846 the Colonial Office sent out a projected constitution and land regulations which virtually repudiated the Treaty of Waitangi by acknowledging Maori ownership only over those lands in actual cultivation. These regulations were, however, blocked by the courage of Sir George Grey, and were withdrawn.

From 1840 to 1862, therefore, the purchase of Maori lands, which might be thrown open to settlement either by sale or lease, was one of the most important functions of the governors. Sir George Grey especially was very successful in persuading the Maoris to sell land to the Crown, especially in the south island, where over thirty million acres were sold for a small cash price and promises which were only partially fulfilled.

Governor Hobson had created the office of Protector of the Aborigines shortly after his arrival in 1840. Sir George Grey replaced this official by a Native Secretary in each of the two divisions, New Ulster and New Munster, into which New Zealand was divided by the constitution of 1846. In 1852 these officials gave way to a Native Department, which still remained, however, under the control of the Governor. Even after the passing of the Constitution Act of 1852 the control of native affairs was expressly reserved for the Governor acting under instructions from the Colonial Office. This remained the constitutional position until Sir George Grey on February 26, 1863, acting upon instructions from London, formally handed over control to a Minister of Native Affairs responsible to the colonial legislature. (10)

There had naturally been increasing pressure upon the officers of the Native Department from settlers who wanted land, and the tendency was for control to pass into the hands

of Parliament even before formal action was taken. When the change did take place it was mainly because of the impossible friction created in time of war by divided control. The Governor, the officer commanding the imperial troops, and the colonial ministers, conducted a triangular controversy of singular bitterness. This controversy was aggravated by accusations and counter-accusations concerning the proposals to confiscate "rebel" lands; but it involved the whole policy of native administration, and particularly of land purchase.

The Native Land Act of 1862, passed by the colonial Parliament and assented to by the Crown, marked the beginning of a new era.⁽¹¹⁾ It provided certain safeguards which were obviously necessary in view of past experience, and in particular forbade the completion of sale or lease of lands before ownership had been determined. Having provided these safeguards, however, the Crown waived its right of pre-emption and thus ushered in a period of free trade in Maori land. Pre-emption was not resumed till 1892, and in the thirty years intervening the Maoris lost the greater part of their ancestral heritage, including most of the best situated and most fertile lands.

In 1865 the Native Land Court was created as a permanent tribunal charged with the investigation and settlement of native land titles. For more than sixty years this Court has functioned steadily and, within its limits, successfully. One of the chief purposes of its creation was to secure sound titles for land which had been or would be bought. In quieting titles and apportioning the purchase-moneys equitably between the Maori owners it has been invaluable. Throughout its history, however, it has been a means of facilitating the separation of the Maori from his land as equitably and painlessly as possible. In this way it has been the chief mechanism in the breaking-up of Maori economy and the destruction of tribal organisation and discipline.

At first the Court was bound by statute not to recognise more than ten individuals as owners of any piece of land, the intention of this unfortunate provision apparently being to force the natives to work through a small enough number of representatives to enable the Court to reach agreement quickly. Two years later an amendment went some distance towards recognising other beneficiaries, but the chief tendency of the

colonial legislation concerning Maori lands is summed up in the official statement concerning the last measure of first-rate importance, the Native Land Act of 1909, which according to the Under-Secretary of Native Affairs, writing in the New Zealand Official Year Book of 1910, "widens the avenues and facilitates the alienation and settlement of native lands".

This Act, based on the recommendations of a Royal Commission consisting of Sir Robert Stout and (Sir) Apirana Ngata, aimed deliberately at throwing the possessors of more advanced land titles on their own resources, with greater freedom of action and concomitant realisation of the responsibilities of landownership. The Act also introduced for the first time the policy of consolidation of interests which was so greatly developed later. The pronouncement of the Under-Secretary concerning it is therefore of considerable interest, as showing the official point of view somewhat in conflict with legislative intention and subsequent experience.

Various safeguards have been enacted from time to time, but the main drift of native land legislation has been to separate the Maoris from their lands. This is especially true of the period after 1873, when an Act was passed establishing the principle of individualising the titles to land, a principle which was described by the Royal Commission of 1891 as having been "the foundation and source of all the difficulties which have since arisen not only in the transfer of land from natives to Europeans, but in the settlement of the north island of New Zealand".

No better summary of the effects of this free trade in native lands has ever been made than the extract from the report of the 1891 Commission, which was quoted again by the Royal Commission of 1907-9:

The tendency in the Act to individualise native tenure was too strong to admit of any prudential check. The desire to purchase native estates overruled all other considerations. The alienation of native land under this law took its very worst form and its most disastrous tendency. It was obtained from a helpless people. The crowds of owners in a memorial of ownership were like a flock of sheep without a shepherd, a watch-dog, or a leader. Mostly ignorant barbarians, they became suddenly possessed of a title to land which was a marketable commodity. The right to occupy and cultivate possessed by their fathers became in their hands an estate which could be sold. The strength which lies in union was taken from them. The authority

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of their natural leaders was destroyed. They were surrounded by temptations. Eager for money wherewith to buy food, clothes, and rum, they welcomed the paid agents, who plied them always with cash, and often with spirits. Such alienations were generally against the public interest so far as regards settlement of the people upon the land. In most of the leases and purchases effected the land was obtained in large areas by capitalists. The possession of wealth, or that credit which obtained it from financial institutions, was absolutely necessary to provide for native agents, interpreters, and lawyers, as well as to distribute money broadcast among the native proprietary. Not only was this contrary to public policy, it was very often done in defiance of the law.

Of all the purchase money paid for the millions of acres sold by the Maoris not one sixpence is left. Their remaining lands are rapidly passing away. A few more years of the Native Land Court under the present system, and a few amended laws for free trade in native lands, and the Maoris will be a landless people.

But it was not only in the alienation of their lands that the Maoris suffered. In its occupation also they found themselves in a galling and anomalous position. As every single person in a list of owners comprising perhaps over a hundred names had as much right to occupy as anyone else, personal occupation for improvement or tillage was encompassed with uncertainty. If a man sowed a crop, others might allege an equal right to the produce. If a few fenced in a paddock or small run for sheep or cattle, their co-owners were sure to turn their stock or horses into the pasture. The apprehension of results which paralyses industry cast its shadow over the whole Maori people. In the old days the influence of the chiefs and the common customs of the tribe afforded a sufficient guarantee to the thrifty and provident; but when our law enforced upon them a new state of things, then the lazy, the careless, and prodigal not only wasted their own substance, but fed upon the labours of their more industrious kinsmen.

The pernicious consequences of native land legislation have not been confined to the natives, nor to the Europeans more immediately concerned in dealing with them for land. The disputes then arising have compelled the attention of the public at large; they have filled the courts of the colony with litigation, they have flooded Parliament with petitions, given rise to continual debates of very great bitterness, engrossed the time of committees, and, while entailing very heavy annual expenses upon the colony, have invariably produced an uneasy public feeling.

The disposal of native land was checked for a time by the effort between 1884 and 1886 to establish a paternalistic control by the Government over land sales by the resumption of the Crown's right of pre-emption in certain areas. The Maoris, however, objected to being totally deprived of all authority and management of their ancestral lands, and therefore they refused to bring those lands under the Act, which had left this action optional on their part. Free trade in native

land was revived in 1888, and in the urge for closer settlement that was the principal feature of Liberal-Labour policy in the last decade of the nineteenth century, the sale of native land was accelerated. Consequent upon the report of the 1891 Royal Commission, pre-emption was resumed in the following year. An abortive effort was made in 1900 to restore the paternal principles of the legislation of 1884-6, but this merely resulted in a deadlock, so that in 1905 the Government reverted to its policy of freer trade both in native land sales and in leasing native lands. The Royal Commission of 1907-9 recommended that "the purchase of native lands by the Crown under the present system be discontinued", and that alienation by direct negotiation between the owners and private individuals be prohibited so that further alienation should be made only through native land boards. The Act of 1909 gave effect to these recommendations, but the sale of Maori lands continued with these safeguards until at the present time the total area remaining to the Maoris is less than four and a half million acres, of which by far the greater part is not of the best quality or readily accessible.

The Rating Amendment Act of 1910 brought certain Maori lands within the scheme of taxation provided by the Rating Act of 1908, a measure which has always been resented by the Maoris and has proved difficult of administration. In recent years local body expenditures upon roads and similar utilities have greatly increased, and the Maori owners in many districts have opposed passive resistance to the effort made to collect rates for services they did not want upon land which was not in effective use. Moreover, communal ownership has made it difficult to fix responsibility for such charges. The result has been in many districts as confusing and irritating both to Maoris and to Pakehas as the baffling intricacy of native land legislation generally. From both situations the Maori has felt that the ultimate result was likely to be a further loosening of his hold upon the land.

As a result of sixty years of colonial legislation and administration, therefore, the Maoris have lost the greater part of the land. It is true that they retain something over four million acres; but this is very unevenly distributed among the tribes, and much of it is poor land which the Pakeha did not want. There

are tribes which have very little land left, and that of the poorest quality. In one district the areas are so small that ownership is counted by rows of kumaras, or potatoes, instead of by acres. In others resort has to be had to intensive market- and even flower-gardening. In most some form of labour for the Pakehas is necessary for the youth of the tribe. In very few areas have the Maoris retained their best lands. In recent years, however, the necessity of conserving what remains has been forced upon them; and some tribes have even begun the repurchase of lands formerly sold to the Pakehas.

Maori leaders realise that their birthright has been lost, most of it sold for a trifling consideration. There is, not unnaturally, considerable feeling that the more astute Pakeha has in the past taken advantage of Maori weakness and ignorance. It is not only that land has been lost as a result of war and confiscation. The more subtle processes of land purchase have been far more potent. "Flour and sugar" policies have kept peace and contentment while the land was slipping from beneath Maori feet. The individualising of titles and free sale of the lands so acquired has allowed many tribes to live for a time in idleness and ostentation and worse, the price being the loss for all time of their patrimony. Moreover, the squandering of easy money received from the sale of land has reacted to the detriment of the Maoris by hastening their physical and moral deterioration and by lowering their reputation in the eyes of their Pakeha neighbours. It was in this period that they came to be regarded as shiftless, improvident, and incapable of sustained industry. Only the stoutest courage and the most profound faith in the hereditary qualities of the race could enable their leaders to face the task of restoring "the spirit of the old usages, leadership, co-operation, and communal discipline".

Another trap is afforded by the complexity of Pakeha administration. Taxation of many kinds, the expenditure of public moneys, the baffling ways of the law in general, leave the Maori in only too many cases suspicious and resentful. There are disputes over timber royalties and the purchase of timber lands, over excessive legal fees and inadequate legal protection, over unpaid rates and needed services. The Maori is caught in a tangle of circumstances that he only dimly

comprehends. He knows that in the past the main result of such things has been that he lost more land and he fears for the future. "The peace of the Pakeha", he says, "is more to be dreaded than his war."

TARDY JUSTICE

In pleasant contrast with the depressing facts outlined above, it must be recorded that in recent years there has been a distinct effort on the part of the Government to co-operate with and assist in the regeneration of the Maoris. The four native members of the House of Representatives, whose conduct even a generation ago was severely criticised, have more recently captured the sympathy and respect of their colleagues. An ex-governor of New Zealand has suggested that their presence is perhaps a disadvantage, since Maori affairs are left so much to their leadership instead of being a general responsibility of the whole House(12); but this view seems unduly flattering to the imagination and understanding of the ordinary Pakeha member, preoccupied as he is with the claims of his electorate upon the public purse.

The most recent legislative developments owe their success primarily to the fact that, unlike the legislation of 1884 and 1900, they are not paternalistic but co-operative, working with and through Maori leadership instead of depriving the Maoris of control. The most important features of the policy have been the creation of various trusts upon the east coast and elsewhere which under Pakeha, or mixed Maori and Pakeha, management have served to some extent as models of farming enterprises; the creation in 1920 of the Office of Native Trustee as a department separate from the Public Trust Office; and the active administrative sympathy towards, and where necessary legislative support of, the movement towards consolidation and incorporation of native lands.

The essential feature of this new legislation has been the emergence of Maori leadership competent to solve native problems along lines combining Maori tradition and European legal and economic experience. One of the most important aspects of this Maori leadership lies in the fact that it is now possible for such Governmental activities as administration and education in matters of health to be entrusted to experienced

Maori leaders in so far as their own people are concerned. The constructive work being done in this department is of the utmost value and promise, and is going far to develop an attitude of co-operation and understanding even among tribes which have long cherished a sullen resentment and suspicion of all Pakeha activities.

In the same way and under the same leadership progress is being made in the examination of outstanding grievances. In 1921 a Royal Commission was appointed to examine certain claims that promises made in connection with land purchases, mainly in the south island, had never been fulfilled. When in 1848 all that part of the south island lying between Nelson and Otago and bounded on the west by the Southern Alps, thirty million acres in all, was bought for £2,000, the Government promised to provide schools and hospitals and also to set aside land for Maori use. In 1877 the Maoris formed a committee to press for the fulfilment of these engagements. The Commission of 1921 reported the justice of the Maori claims and honourably, though tardily, recommended that the Government make recompense by calculating the payment due at compound interest and taking steps through the Native Land Court to establish the claims of present-day Maoris to share in the benefits of the substantial sum—£354,000—so computed. It is open to some doubt whether the Treasury will accept the basis of the computation, but some substantial recompense will be made.

This is not the only case where recent Governments, backed by general support from the whole House and guided by the knowledge and insight of the Maori members and officials of the Native Affairs Department, have made genuine efforts to seek out long-standing Maori grievances with a view to their settlement. Another notable example, not quite in the category of grievances, has been the creation, after due enquiry, of the Arawa Trust Board. The Arawa tribe, located mainly in the tourist region around Rotorua, found its ownership, involving valuable fishing and other rights in the central lakes and rivers, disputed by the Crown. It had vainly been trying to get some form of monetary recognition of its claim at least since 1908. It is significant of the new spirit animating the modern Maoris that long-standing jealousies were at last set

aside, plans were worked out for tribal rather than individual compensation, and legislation accepted which placed the resources provided by the Government in the hands of a board representing all the parties concerned. What this means, not only in material advancement in such matters as hygiene, education, and acquisition of land for farming, but also in promoting constructive co-operation within the tribe, may be judged from the fact that one of the first acts of the board was the repurchase of Maketu, the ancestral landing-place of the tribe. Following this compensation another trust was set up separately for the Taupo Lake—the Tuwharetoa Trust Board. The principle of monetary compensation laid down in the Arawa settlement and followed in the Taupo Lake dispute is important as setting a precedent likely to be followed in the vexatious grievances arising from the confiscations of land after the Maori wars.

Examples might be multiplied. Perhaps more significant, however, than the redress of more or less isolated grievances of this nature has been the appointment, gazetted in October 1926, of a Royal Commission to enquire into grievances arising from the confiscations that followed the wars of the sixties. During 1927 this Commission, one of whose three members was a half-caste Maori, sat in many districts of the north island. For the first time in nearly three-quarters of a century a competent tribunal considered the issues raised by the wars which began in 1860, and particularly the justice of the various confiscations.

The problems involved are extremely complicated. Counsel for the Maoris occupied the attention of the Commission for a week in making his opening statement of the Maori case during the first sitting at Waitara, where the wars originated. The position in every district demanded separate consideration. The confiscations have been overlain by more than sixty years of subsequent land-selling. In some cases the previous owners of the confiscated lands were tacitly allowed to reoccupy them, in other cases land was returned formally and vested in a trust. The existence of such a trust as the West Coast Trust, in which much Taranaki land was vested, did not, however, debar the owners from selling their holdings, and it is extremely difficult at this time to disentangle the consequences of confiscation from those of improvident land-selling.

The important fact, however, is that the Government, as representing the dominant Pakeha community, has recognised that injustices have been done and has taken steps to make generous if tardy atonement for the injury. The past cannot be undone, nothing can restore the sadly thinned ranks of the tribes concerned; but the constructive efforts of future promise can be assisted. The amounts of compensation recommended by the Commission are a compromise, or rather a series of compromises, but they will go far towards removing the sense of grievance and will also provide much needed means for stimulating constructive educational and economic movements of the type illustrated by the pioneer experiments described later in this chapter.

It is true that the Commission had to interpret its order of reference concerning the justice of the confiscations in a somewhat narrow legal sense. It is also true that the suspicion of Governmental motives ground into the mentality of certain tribes by many decades of unfortunate experiences has not been wholly removed. The Commission did not receive whole-hearted co-operation in every district. On the other hand, its coming was hailed by many tribes with the greatest expectations, and omens were observed that have aroused high hopes that a new era has dawned, an era of hope and effort, stimulated by the Pakeha's long-delayed but generous compensation for past injuries and injustices. (13)

As the long-delayed settlement of the south island grievances indicates, the task of securing agreement between the Government and the tribes concerned is a laborious and lengthy procedure. The Government which set up the Confiscations Commission was defeated in a General Election and resigned early in December 1928. Before resigning, the Prime Minister (who was also Minister of Native Affairs) left a general statement expressing the sympathy of his party towards any scheme for the settlement of the confiscation grievances. He was fortunately succeeded as Native Minister by Sir Apirana Ngata, whose knowledge of these matters is unequalled, who was privy to all the steps hitherto taken, and whose skill in negotiation of such delicate affairs along constructive lines is quite without peer in the Dominion. Negotiations therefore moved forward in much the same hands as before without any check.

In the middle of January a series of meetings was commenced with the various tribes concerned in the confiscations. These meetings extended over several months. With the exception of Waikato, where an epidemic unfortunately caused the Department of Native Health to place an embargo on all Maori assemblies in that district after only one preliminary meeting had been held, all the tribes have agreed to accept monetary compensation instead of compensation in land.

The latter was urged by the older men, who insisted that only the return of part of the confiscated area would remedy the injustice. The younger men were, however, persuaded that wider and more varied issues were involved than the land problem, and that these could be met only by the possession of a tribal fund. The dominance of the younger men in these negotiations, and the reluctant submission of the elders to their opinions, is the most recent victory of the new spirit permeating Maoridom. Everywhere, most notably at Waitara, it was clear that behind the attenuated ranks of the older men who had once sat at the feet of Tawhiao (the Waikato King), Te Whiti and Tohu (the priests of Taranaki), and Te Kooti (the east coast "rebel" leader and the founder of the Ringatu Cult), the younger people had their minds set on education, health reforms, farming, and other things that interest the youth of the race in other parts. Latest news from Ngaruwahia confirmed the views expressed after the March meeting that the Waikato people are prepared to fall in line with other tribes, thus completing the psychological conversion of Maoridom, a memorable victory for the forces of conciliation.

THE REVIVAL OF MAORI AGRICULTURE

The investigation and redress of grievances is important both psychologically and economically, but of even greater importance are the experiments in land tenure and rural co-operation which lie behind the recent revival of Maori agriculture. Stress has been laid in the previous section upon the trend of native land legislation being almost wholly in the direction of facilitating the sale of land to the Pakehas and upon the evil effects that followed the individualising of land titles. It is not easy to appreciate the full results of these measures in destroying the economic life of the Maoris by breaking

down tribal organisation and encouraging habits of extravagance, instability, and lack of industry.

Broadly speaking, the days of easy money from the sale of land have passed by. Much of the best land is sold. Where tribes retain good land in fair quantities, policies of conservation are being pursued. The Native Land Court and Maori Land Boards in the different districts still function in the administration of native land matters, but the halcyon days of large sales and ready money are a matter of memory, and mostly bitter memory.

It is all but impossible to generalise concerning the economic position of the Maoris at the present time. A complete account would need to take into review all the varied geographical, historical, and psychological as well as economic factors, district by district and tribe by tribe.

The total area of land remaining in native occupation—4,422,046 acres—seems at first sight a large area for a people that, including those of mixed native-white descent, numbers only 64,817 men, women, and children. But it would be quite wrong to deduce from these crude figures visions of a wealthy landowning native race. In the first place the land that is left to the Maoris is seldom of the best quality. Much of it lies in such districts as the pumice region of the middle of the north island, and the gum-lands of the peninsula north of Auckland. Other large areas, particularly along the north-east coast of the north island, are potentially more valuable but are more or less inaccessible. The country is heavily forested, the confused and rugged mountain ranges make railways and even roads difficult to construct, and there is a lack of good harbours from which access might be gained by sea.

Where the Maoris still retain large areas in accessible regions the Pakeha settlers have only too often "spotted" the country, or in colonial parlance "picked the eyes out of it", leaving the less desirable stretches to the Maori. It is true that there is a considerable area leased to Pakeha farmers by the natives either directly or through the Native Trustee and the Maori Land Boards. From these lands a steady revenue is derived by the Maoris concerned. There are, however, many areas where the conditions are reversed and Maoris are having to lease or buy back from the Pakehas at enormously higher prices than their ancestors received for it.

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The situation is complicated by the fact that in recent years, particularly after the legislation of 1909, many Maori tribes, having gained experience, proved to be very astute negotiators of land sales. They knew their own land and were careful to sell only the poorer sections of it to the Crown. Their ingenuity was sometimes too much for the State purchasers, as when a powerful tribe sold hill-country but ceased to sell when the more accessible and fertile valleys were reached, and later had the satisfaction of watching the white settlers use their political power to obtain roads which necessarily opened up Maori lands also. The most recent land sales, under controlled conditions and with more experienced Maori bargaining, have probably been for the benefit of the tribes concerned. Moneys have been placed in trust where they are available to finance the working of the land that remains in Maori ownership or to assist in such economic developments as butter-factories. These facts illustrate again the impossibility of generalisation regarding Maori affairs. Some fortunate tribes have been able to make good use of their heritage.

Those tribes which bore the brunt of the first contact with the white man are generally speaking the worst off. In the peninsula north of Auckland there is a state of comparative poverty. The tribal community, apparently never as strong in this region as in others, has all but vanished. Individualisation has proceeded to great lengths. By dint of hard work with unpromising resources the tribes are winning through, but are disposed to imitate European ways of life rather than build anew their old Maori customs. In February 1928 they accepted a scheme of land consolidation, the details of which are now being worked out. There is good recent evidence that the tribes in this district have a much more optimistic outlook than appears on the surface. The Maori Land Board is rendering assistance to a large number of small-holders. Closer organisation and supervision will do much to knit these people together into a progressive and fairly comfortable community. Their poverty makes them satisfied with a lower standard of housing and living generally, and more easy to fit into the pressing economic conditions of the day in New Zealand. It should be emphasised that the population is increasing in greater proportion in the north than in other parts of Maoridom except, possibly, the east coast.

In the districts behind Wellington every mile is reminiscent of the history of Maori contacts with the first settlers; but depopulation has been almost complete. A few scattered people live in modernised villages here and there, but the land has passed from them and they form a mere remnant of once powerful tribes. In their effort to survive they are forced to day-labour and to experiments in small-scale farming, and even market-gardening.

In Taranaki, where the wars broke out in 1860, the situation is more complicated. The survivors are rather more in number, but still a pitiful proportion of a once thriving population, though it is probable that the population is now not much less than it was after pressure from the north drove back the Taranaki tribes in the thirties. Most of the best land near the coast has been lost, but south of the mountain (Egmont) and further north above Waitara there is to be found a large area of native land, most of it leased to Europeans, but some in Maori cultivation. The existence of this scattering of Maori dairy-farmers working on an individualistic basis and competing successfully with their Pakeha neighbours is a matter of great importance and good omen.

The West Coast Trust, which was formed after the confiscations, has not retained all the land entrusted to it, but the Taranaki Maoris are, on the whole, favourably situated economically. The main barriers to progress are psychological, the heritage of war and confiscation. The findings and compensation of the recent Commission should do much to bring a new era of effort and co-operation.

Without doubt the heaviest sufferer from the war and attendant confiscations was the Waikato tribe. Between it and its neighbour of the rugged King country, the Maniapoto tribe, which also acknowledged the authority of the Maori King, the Government failed sufficiently to discriminate. The military campaign stopped at the Puniu River on the bounds of the Maniapoto Territory. The rich valley of the Waikato was confiscated; but the real leader of the war movement among the King party—Rewi, a high chief of the Maniapoto—was left with territory and prestige almost untouched. The Waikatos, whose great leader, Tamihana, had opposed the war movement till hostilities were inevitable, and even then had fought

relatively on the defensive, lost their lands and retain a bitter memory of injustice.

A chief of the Maniapoto has recently compared his people to a spectator sitting in the front stalls watching other people engaged in a drama and getting more emotional about it than the actors had time to be. Where the Waikato were inclined to be sullen and aloof, the Maniapoto assumed a defiant pose, tinged with an attitude of scepticism for anything Pakeha. The cessation of hostilities on their borders was interpreted as an admission by the Government, represented in their minds by the military authorities, of their (Maniapoto) superiority. To some extent, no doubt, this interpretation was correct, as the prospect of continuing hostilities in such uninviting country could not have been alluring. Maniapoto scepticism has, however, reacted adversely against them in their land transactions, their distrust of Government agencies rendering them an easy prey to land-sharks. Only recently has the Maniapoto tribe relaxed its hostility to the Government and allowed settlement and modern communications to penetrate the "Rohe Potae". In April 1928 a definite forward move was made by the acceptance of a scheme for land consolidation and the settlement of some outstanding grievances over rates.

The grievances of the Waikato are not yet salved, despite the reconciliation between Seddon and King Mahuta many years ago. In this particular case tribal unity is still very pronounced. The bluest blood in Maoridom flows in the veins of its leaders, and unlike other tribes in such dire circumstances there has been no giving in. The men have worked as labourers in agricultural and mining occupations, and the tribe, while resolutely maintaining its policy of non-co-operation with the Government, has increased in numbers and has preserved its pride of race.

Within recent months, however, there has been the notable recognition of the constructive efforts of the "Princess" Te Puea Herangi in leading her tribe to ways of co-operation and friendship. Her noble work, especially her efforts to care for the children in her orphanage, has captured the imagination of both Maori and Pakeha. The Governor-General has visited her, and her return visit to Wellington showed the high regard

in which she is held. The very timely recommendations of the Royal Commission awarding compensation to the Waikato for their just grievances will go far to encourage and support such leadership as she has shown.

So the story goes on, with different combinations of factors and different emphasis in every tribe. The Taupo tribes, after long litigation concerning inequitable timber leases and even timber robberies, are beginning to work their own valuable forests. The Arawa and Tuwharetoa Trust Boards in the same region have already been mentioned.

In different localities in the Bay of Plenty economic conditions are bad. Confiscations were heavy and land sales were even more disastrous. Some of the people also felt implicated in some of the worst incidents of the latter stages of the war and therefore unable to protest as vigorously as they might have done against what they regarded as arbitrary treatment.

In Hawke's Bay, after an era of improvidence in land-selling, the tribal leaders are facing steadily towards a policy of education and building for the next generation. In the wilder and less accessible parts of the north island, on the upper reaches of the Wanganui River, in the mountainous Urewera country, and in the extreme north-east above Gisborne, more land remains in Maori possession and more remains also of the tribal organisation and Maori ways of life.

It is worth noting that the Urewera people, reputedly the most backward portion of Maoridom, were the first to follow the Ngati-Porou with a scheme of land consolidation, completed as early as 1922. Unfortunately the area of land suitable for farming is very limited.

While there is a general stirring of new life all over Maoridom at the present time, the chief manifestations of enterprise and experiment are therefore to be found in the regions which were fortunate enough to be saved from the first rough contacts with civilisation.

The tribes in the thermal regions, fishing districts, and similar tourist resorts are turning the tourist traffic to good account. Others supply skilled shearing gangs in pastoral districts or maintain sheep-farms. Maori chauffeurs, saw-millers, workers in State forest plantations, labour with the Pakeha; while others

work out experiments in rabbit-trapping, commercial fishing, and truck-farming. The Wairoa people accepted and pushed through a contract for twenty-six miles of railroad construction in record time. There are even more important experiments in dairying, competing successfully with the Pakeha farmers, notably in North Auckland, Taranaki, and the Bay of Plenty. A co-operative dairy factory with a large number of Maori suppliers is at work at Ruatoki in the North Urewera country. Another at Nuhaka in Hawke's Bay has worked successfully for many years and was one of the stimuli leading to the Ngati-Porou experiments described below. All along the east coast dairying is beginning to flourish, around Poverty Bay, Wairoa, and east of Opotiki among the Whanau-a-Apanui. Everywhere there is "the spur of necessity" driving the young men of Maoridom to find a way of economic salvation for their people, and everywhere there is a growing realisation that the first step on the road must be to take advantage of the Pakeha's education.

Not all the Maoris are agriculturists or rural-workers. An increasing number of educated youths find their way into city offices, the Civil Service, medicine, engineering, accountancy, nursing, law, and the Church. In these occupations also they are proving their ability to compete with the Pakehas.

It is, however, among the Ngati-Porou in what is generally termed the east coast region of the north island that the most significant progress has so far been made. Their isolation, which in earlier days earned them the derisive title of "Nati" (country cousins), has been due to the lack of good harbours, a mountainous hinterland, and very difficult approaches by land. For at least three generations—that is, practically ever since the policy of free trade in Maori land has been followed—their tribal leaders have stood firm against selling any but the unoccupied mountain hinterlands of their fertile valleys. At the time of the Maori wars they were led by Major Ropata Wahawaha, "one of the very few captains on either side who went through the wars without anything that could be called a defeat". After his death the leadership of the tribe passed to his kinsman, Paratene Ngata, and thence to the latter's son, (Sir) Apirana Turupa Ngata. It is of more than passing interest to note that this accepted leadership is not a matter of cere-

monial inherited by right of birth. The mana* of hereditary chieftainship lies elsewhere. The mana of business has become identified with the sword of Major Ropata, which on his deathbed he gave to Paratene Ngata, who thereupon returned it to the tribal leaders in council. The elders of the tribe bestowed the emblem of leadership, together with their individual mana, upon Paratene Ngata, and after his death upon his son, who had become the acknowledged leader of the tribe in all matters of business organisation. As their Member of Parliament and Minister of Native Affairs, as well as the inspirer and leader of economic social movements, Sir Apirana Ngata occupies a unique position among his own tribe.

Under such leadership the retention of the best tribal land became "the persistent and thought-out policy" of the Ngati-Porou; but the genius of Sir Apirana Ngata has added the constructive elements of policy necessary to enable positive use to be made of these lands. The first expedient worked out was an interesting adjustment between the extremes of land Communism and individual property rights. The several owners of a tract of land were incorporated by the processes of Pakeha law, and from their number a committee of management was elected which was able to supervise the management of farming operations and to arrange for adequate funds. This development of incorporation was already in progress and is the chief element of Maori policy which is referred to by the Royal Commission of 1907-9 in their statement that the reopening of free trade in Maori lands in 1905 had forced the Maoris to contemplate the possibility of using their lands in the Pakeha way.

In 1911 a further important development occurred when the first effort was made to consolidate the scattered holdings of individual Maoris or family groups into compact farms. It is difficult to convey in brief outline even a dim realisation of the almost infinite patience, industry, and knowledge necessary to carry out this process of consolidation. Communal rights of landownership in such a country as England were probably never as complex as among the Maoris, and were greatly simpli-

* Mana, a Maori word meaning power, prestige, authority, honour, has passed into general usage in New Zealand.

fied at the time of the Norman Conquest by the individualising tendencies of the Norman-French lawyers. The processes of consolidating the scattered strips of the feudal tenants and the enclosure movements which grew out of these processes occupy the chief place in English agricultural history from the fourteenth to the nineteenth century. In the course of these movements the English peasantry lost both their individual holdings and their rights in the common land. With these facts in mind the Pakeha historian has nothing but unqualified respect and admiration for the way in which Maori leadership has worked out methods of consolidation within a brief period of time, and methods, moreover, which safeguard the rights of every holder of the land.

The first basis adopted was "a system of exchange of interests laboriously worked out, involving endless meetings, conferences, groupings, and re-groupings, the breaking down of long-standing ties and overcoming of sentimental opposition—all calling for supreme patience and tact, together with confidence in the essential rightness of the solution offered".

Even to-day, when experience has provided a simpler basis for the exchange of interests by the acceptance of the Government valuation of the land concerned, the process of consolidation is involved and difficult; but its success among the Ngati-Porou has been so striking and the essential soundness of its principles so obviously demonstrated that in a number of north island districts to-day consolidation schemes are putting new life into Maori landownership.

The effective utilisation of the land so consolidated and incorporated represents a still further and very successful stage in the economic and social rehabilitation of the Maoris. Even twenty years ago a competent and not unsympathetic economic historian laid great stress upon the weaknesses and failures of Maori farming. (14) There are some districts where his discouraging description may still be taken as approximately correct but exaggerated. In the twenty years that have intervened the promising Ngati-Porou experiments to which he makes reference have been proven by experience, and it can no longer be said that they affect only a small proportion of the Maori population. Their influence and example is bearing fruit both directly and indirectly in many other districts.

Moreover, these experiments have an interest that transcends their importance in the regeneration of Maori agriculture. Even a quarter of a century ago the possibility of the Maoris contributing any significant ideas to the organisation of rural industries hardly entered the minds even of their best friends. The apologists for the Maori have until recent times tended to claim that his contribution to the common life of New Zealand would be made in the intellectual and spiritual sphere rather than in the sphere of material development. Yet work has already been done which justifies the claim that the Maori tribes on the east coast of the north island have profited by the experience of European civilisation and have evolved a combination of individual initiative with communal landholding and profit-sharing and of both with tribal organisation and a revival of racial pride that is likely to save their people from the fate that has overtaken the original owners of most agricultural land.

The first experiments, now a quarter of a century old, were made in sheep-farming, which already had been a communal pursuit of the tribe for some decades. The committee of management of an incorporated tract of land appointed managers who in turn engaged their labour from among the owners of the land. Unlike most communistic experiments, these ventures of the Maoris have shown the discipline and organising ability necessary for commercial success. They have not been afraid to use and give authority to Pakeha managers, nor have they been lacking in the confidence of ultimate success necessary before the owners could be brought to mortgage their lands so as to obtain adequate capital to finance their undertakings. The Pakeha managers are being steadily replaced by trained Maori agriculturists, and the financial situation is well in hand and sounder than many Pakeha farming enterprises. The land-owners, even though they be high chiefs by lineage, receive as labourers just as much or as little as they earn, and as owners of the land participate in the profit according to their share. The mana of business is kept entirely distinct from the mana of hereditary descent. The importance of this statement needs some emphasis. It is the key to the success of the Ngati-Porou and the slogan for the most recent movements in Maoridom. The Ngati-Kahungunu of Wairoa have, after a generation of

aloofness from the example of the Ngati-Porou, satisfied themselves that the secret must be laboriously learned. Their fellow-tribesmen of Hawke's Bay made it the chief subject of debate at a meeting at Omahu early in May 1929. The lesson needs to be learned by other tribes. At the same time the most zealous care must be taken, as in the case of the Ngati-Porou, that the mana of hereditary descent is not invaded in any way in the sphere of ceremonial.

In 1923 certain younger members of the tribe urged that dairying, involving not only the arduous labour of feeding and milking cows, but also the organisation and scientific conduct of a butter-factory, was the only solution to the increasing pressure of population on the tribal lands. In the four seasons of its operation this dairy factory, co-operatively owned, and therefore reflecting the welfare of its suppliers, has shown increasing success, despite the troubled course of the dairy industry in New Zealand generally. In bold irony it took as its trade-mark the term of contempt, "Nati", which had formerly been applied to the tribe, and it has had the satisfaction of placing that term among the leading brands receiving top prices on the London market. The balance-sheet of its second year showed 76 suppliers producing nearly 300,000 lbs. of butter, which were sold for £19,601. At the end of its third season it had 107 suppliers and produced 462,560 lbs. of butter. For the season now ending (1928-9), 136 suppliers produced 285 tons of butter.

Of even greater significance is the continued success of the co-operative trading venture established in close connection with these productive enterprises. The Waiapu Farmers' Co-operative Company has completed sixteen successful years of trading and is sufficient evidence in itself of the ability of Maori leadership to handle commercial as well as productive organisation. It may justly be claimed, therefore, that where so many idealistic experiments in economic Communism and co-operation have failed, the Maoris, by reason of tribal discipline and enlightened leadership, have succeeded. The English in which the review of the first sixteen years of co-operative trading was presented to the Maori shareholders is sufficient contrast with the business English of most Pakeha companies to indicate that leadership of uncommon ability is present.

It is true that these particular experiments in the management of land are confined largely to a few sections of the Maori people. It is also true that in the case of the Ngati-Porou descendants of an old missionary family (the Williams) rendered much needed financial and technical help at the first critical stages. It is a fact also that the Ngati-Porou and other tribes which have experimented in this fashion have used Pakeha management and have depended a good deal upon financial advances from banks and from Government departments. But these facts do not detract from the importance of the experiments.

It is, moreover, abundantly clear that the success of some tribes and numbers of individuals is blazing a path for the other members of their race to follow. It may be taken as a proven fact that the Maori, given a fair opportunity, is able not only to adapt himself to the necessities of modern economic organisation, but to make his own distinctive contribution towards its improvement.

THE MAORI RENAISSANCE

The background both of the economic experiments so lightly sketched in the previous section and of the more sympathetic Pakeha attitude of recent years is a real renaissance movement of the greatest interest and promise. This renaissance has political, economic, religious, and literary aspects; but its great driving-force is an intense racial consciousness and pride of ancestry. Many of its leading figures have European blood in their veins, and it is arguable that the vigour of the movement is at least partly due to this fact. The present generation of Maoris is being largely recruited from sections of the race which have escaped the worst of the transition period, and there is a much larger mixture of white blood than is generally realised.(15) It is, however, significant that they should turn with such pride to an appreciation of their Maori ancestry, an appreciation which seems to be deeper and more intense in the degree to which they have received Pakeha education and training.

This revival of race pride and confidence is all the more remarkable when one considers the psychological environment in which the present generation was brought up.(16) The

political and economic aspects of the difficult transition period that followed the wars, together with the ravages of disease, have already been mentioned. It may be readily understood that the middle generation of Maoris tended to lose heart. Defeated in the struggle to drive the Pakeha out, overwhelmed by the rush of settlement, caught in the confusing intricacy of land legislation from which they seldom emerged without losing their lands—baffled, thwarted, and unable fully to comprehend what was happening to them, they might well lament the passing of their race.

The most important consequence was an attitude of passive resistance that followed upon convinced distrust of Pakeha intentions. The mental attitude of suspicion was in itself a barrier to progress and mental growth; but the policy of non-co-operation, by which certain families and settlements refused to take advantage of Government schools or health measures, was even more disastrous. In many of these cases it must be said, too, that there were genuine economic as well as psychological reasons behind the refusal. Wherever the lands had been confiscated or sold without due precautions for the future, many Maoris were not able to send their children, even if they so wished, to school and college for education beyond that provided in the State primary schools. It is little wonder, therefore, that this difficult period has aptly been named a cultural Slough of Despond. Caught in it, some of the tribes went down numerically and in tribal solidarity; others drew together the more closely.

Few Pakehas have caught even a glimpse of this tragic situation. Yet it does not need expert psycho-analytic knowledge to divine something of the burning resentments and hatreds and thwarted self-expression that found vent in the atrocities that sometimes accompanied Maori warfare. It is significant that in the case of the worst outrages—those which followed the escape of Te Kooti from the Chatham Islands—there was a definite background of arbitrary Governmental action (deportation) which was resented as unjust. Te Kooti, according to very good authority, was innocent, but was herded with others who were deported to the Chatham Islands without trial.

Nor can the Pakeha, after the exploits in recent years of

what are commonly regarded as more developed civilisations, be unduly critical of such war hatreds, or of the religious developments which often accompanied them. The courage and uprightness of the lives of the early missionaries made a profound impression upon the Maori mind, which readily accepted the Christian teaching. Missionary effort gained some of its greatest rewards in early New Zealand. But who can blame the Maori for regression when one remembers the bitter sectarianism to which they were so quickly introduced and the very evident disparity between missionary teaching and general Pakeha practice?

Such incidents as the capture of an important "pa" one Sunday morning when its defenders were engaged in Christian worship were apt to be disconcerting. That this was not a mere accident quickly became apparent. "The missionaries", said a Maori chief, "taught us to look up to Heaven, and while we were looking, the land slipped away from under our feet."

One can understand, therefore, why from time to time quasi-religious movements sweep across Maoridom, incorporating large elements of ancient magic with the teachings of the Christian religion. They remind us that the transition to modernity is still far from complete; but the credulity of the twentieth century in regard to the very similar pseudo-psychologies, new religions, and mob movements generally, leave the Pakeha little room to scoff at the Maori, who has decades of European civilisation behind him where the Pakeha has centuries. The strangeness of such movements should not blind us to the rapid progress of the Maori race, nor to the very real spiritual values often sought in them.

Maori progress in its latest phase can be traced fairly definitely to the association of students of Te Aute College, which in the nineties became known as the Young Maori Party. The actual party organisation was never very rigid, and has now passed into memory. The band of leaders whose discussions crystallised the principles of the renaissance have, each in his own way, rendered devoted practical service to their people. As statesmen, doctors, nurses, teachers, ministers, lawyers, business men, and not least as practical farmers, they led the way to the new order. Leadership came in greatest

degree, naturally enough, from those more fortunate tribes, notably from the east coast, who had retained much of their lands and had not banked up a heritage of suspicion and enmity against the Pakeha. They had the wealth and the willingness, even eagerness, to send their young men and women in increasing numbers to receive Pakeha training. Other tribes also threw up notable leaders in sufficient numbers to prove that capacity is widely distributed over Maoridom.

There are signs that the hereditary leaders of the race are beginning to appreciate the fact that they must fit themselves for leadership under modern conditions just as their forefathers had to in the days when prowess in war, mental superiority, and efficiency in diplomacy had to be harnessed to rank to maintain their position. It is wonderful and very full of hope to note how readily sections of a tribe will fall into line behind any scion of a rangatira family who shows his fitness to lead them in the modern ways. The greatest leaders of the race to-day, like Sir Maui Pomare and Sir Apirana Ngata, are continually on the lookout for this material in order to encourage individuals of high rank to step into their proper and natural place in the renaissance of the tribes.

In the last few years there have been unmistakable stirrings of new life. Old resentments die hard and suspicions are too deep-rooted to be easily allayed; but youth meets youth in sport and on the common ground of racial problems and interests transcending tribal jealousies. The economic achievements of the Ngati-Porou are impressing all Maoridom, and their great leader, Sir Apirana Ngata, entirely without self-seeking, is rapidly becoming a national figure acclaimed alike by Maori and Pakeha.

It would indeed be a simple and grateful task to catalogue the many achievements of the Maoris in the life of New Zealand. To do so would, however, take more space than is available here. The names mentioned below are only those of a few outstanding figures. It is one of the best features of the Maori situation that for every leader of the present day there may be counted numbers of promising youthful successors. The greatest name of all is that of Sir Apirana Ngata, M.P., M.A., LL.B., scholar, poet, statesman, leader of his people in every constructive endeavour. A Maori half-caste, Sir James Carroll,

now deceased, acted as Premier of the Dominion and as Minister of the Crown in various capacities. Sir Maui Pomare, a graduate in medicine of the University of Chicago, has been Minister for Health and minister in charge of the Cook and other islands. A Maori clergyman, the Rev. F. A. Bennett, has been appointed suffragan to the Bishop of Waiapu, with the title of Bishop of Aotearoa. A Maori anthropologist, Dr. P. H. Buck, is recording with careful skill and unrivalled insight the material culture not only of New Zealand but of the other Pacific islands. He is the first gift of a reinvigorated Maoridom to the international world of scientific investigation. These are a few of the outstanding examples of success achieved in open competition with the Pakeha.

The native land problem of New Zealand, therefore, is not a question of transferring land as justly as possible from an inferior native race to the superior white settlers. It is rather a problem of the survival of a people with a remarkable history and heritage. In less than a century and a half they have bridged the gap between a neolithic culture and modern civilisation. Their experience has been a bitter one. The Maori to-day is disillusioned and rather resentful as he reflects on the consequences to his people of the lack of imagination and understanding, sometimes even of justice, on the part of the Pakeha. But he is conscious also that he is on the road to survival and that leaders are emerging once again to guide their people on the most difficult voyage of all their history.

His leaders are increasingly confident that the race will not only re-establish itself, but that the Maori farmer will solve many difficulties which confront land settlement in New Zealand to-day. They see clearly that the Maori is not trained or mentally equipped for intensive farming and cannot contribute much to the closer settlement of improved lands. But he will fill the rôle heretofore played by the pioneer, and should be at least moderately successful in the lower quality and less accessible lands of the Dominion, where a lower standard of living is acceptable, with less efficient farming methods and a lower rate of profit.

The Maori has found his niche. His feet are on solid ground again, and he has hope for the future. The ancient watch-cry

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of the sentry on guard above the sleeping pa begins to have new meaning :

The night is dark and long,
The young sleep and dream their dreams,
In the minds of the old is doubt, trouble, and fear,
Long and dark is the night, but its hour draws to a close,
Behold it is dawn, it is dawn, it is day.

CHAPTER III

THE ALIENATION OF THE LAND

THE FIRST LAND CLAIMS

The first sale of land recorded in New Zealand was a purchase made on February 24, 1815, by Samuel Marsden, on behalf of the Church Missionary Society.(1) Approximately two hundred acres were bought, the purchase price being twelve axes. The deed was signed by the drawing of the facial "moko" (tattoo) pattern of the chief concerned, a precedent that was followed at Waitangi. Marsden's chief reason for purchasing land is given in a footnote to a letter written on August 7, 1830, to an official at Church Missionary House, as the necessity for providing neutral territory on which Maori youths could take sanctuary under missionary protection from tribal feuds.(2) His policy was evidently followed vigorously, as a large missionary purchase of fifteen thousand acres in the Bay of Islands as early as 1821 was reported in the evidence proffered to Mr. J. T. Bigge, who had been commissioned by the British Government to enquire into the atrocities which were making New Zealand infamous at that time.(3) In 1822 the adventurer de Thierry claimed to have acquired land by purchase, and in 1825 the first New Zealand Company was formed. The settlers it sent out in 1862 refused to carry on, but individuals remained at Hokianga and the Company's land claims proved very costly of settlement to the later and more important company founded by Edward Gibbon Wakefield in 1838.(4)

These early purchases by direct negotiation with the natives are typical of many made by genuine settlers like F. E. Maning, the author of *Old New Zealand*, by whalers and Pakeha Maoris who later added farming to their activities, by pioneer settlers such as (Sir) John Logan Campbell in Auckland, and by more speculative buyers of various types. As the approach of British governance became more obvious, the speculative purchases of native land reached extraordinary proportions. The claims for land so purchased as submitted to the Land Commission appointed by the first Governor aggregated 56,654,000 acres.(5) The great bulk of this area was claimed as a result of purchases

made in 1839 and 1840, and there were the most ludicrous documents submitted in support of some of the transactions. Even highly placed public men like the Australian explorer and statesman Wentworth joined in the scramble.

The traffic in Maori lands which centred in Sydney was virtually stopped by a proclamation of Governor Gipps of New South Wales, on January 14, 1840, that no land title would be acknowledged as valid unless authorised through, or confirmed by, a grant from the Crown. Wentworth, who subsequently claimed to have bought about twenty million acres in the south island, led a bitter fight against Gipps's proposal that the New South Wales Legislative Council should appoint land commissioners to investigate all purchases. The Governor, however, carried the day, and the commissioners were appointed.

Hobson, as Lieutenant-Governor of New Zealand, issued a similar proclamation to that of his chief, on January 30, 1840, and the separation of New Zealand from the colony of New South Wales in November 1840 placed in Hobson's hands the sole responsibility for the settlement of the land claims. His instructions were very clear.(6) They were based upon the principles laid down by Lord John Russell to the Land and Emigration Commissioners, appointed in 1839 to deal with waste lands in the Colonies. In following them out Hobson issued, on June 9, 1841, a Land Claims Ordinance (No. 1) terminating the New South Wales commission and taking power to appoint a similar commission under New Zealand authority.(7) The important clause of this Ordinance is the second: "All titles to land in New Zealand absolutely null and void unless allowed by Her Majesty."

The result of these measures is greatly to the credit of the British Government of the day and its representatives in New South Wales and New Zealand. As the hearing of claims progressed, the purchases of the speculative land-sharks were reduced almost to vanishing-point. The Ordinance mentioned above prescribed purchase prices on a sliding scale according to the time when the purchase was made, ranging from 6d. per acre for land bought between 1815 and 1824 to 8s. for land bought in 1839. No purchases after the proclamations of January 1840 were considered. In earlier purchases

the goods paid were estimated at three times their selling price in Sydney at the time of purchase and an acreage allowed according to the schedule of purchase prices laid down. Grants even then were limited to 2,560 acres, except in special cases.

THE LAND PURCHASES OF THE NEW ZEALAND COMPANY

Governor Hobson had a comparatively easy task in withstanding the exaggerated claims of land-sharks and protecting the natives from their depredations. He successfully established the constitutional principle that in British territory all claims to land rest upon grants from the Crown. In disposing of the almost fraudulent early claims and reducing genuine purchases to areas comparable with the prices paid he rendered a signal service both to the Maoris and to later settlers. Moreover, by negotiating the Treaty of Waitangi he made any further land purchase impossible except through the Crown.

He was faced, however, with a much more complicated and difficult task in settling the status of the land purchases which had been made by the agents of the New Zealand Company. The Company was a powerful group with a large vested interest and possessing many important channels of influence in London. Its purchases were hastily executed and open to grave criticism; but settlers had bought the land in good faith before leaving England, and would have been placed in an intolerable position by the strict observance of the Governor's instructions. Some immediate action was necessary, and in September 1841 Hobson waived the Crown's right of pre-emption over certain lands at Wellington, Porirua, the Hutt, Manawatu, and Taranaki. This afforded temporary relief, but no real solution of the deadlock of policies could be arrived at until the Land Commission settled the area to be finally awarded the Company. The Commissioner did not arrive until Christmas Eve, 1841, and his first court was not opened for another four months. His duties dragged out over several years, and were only terminated in 1846 by the new agreement entered into between the Colonial Office and the Company. In the meantime the company officials in New Zealand contested very bitterly the view which he took of his powers

and questioned the legality of the Treaty of Waitangi, and even of the Government which had been set up. The Commissioner, however, persevered in his court and reduced very considerably indeed the twenty million acres that the Company claimed to have purchased.(8)

His interim awards were sufficient for the immediate necessities of the settlers, but the Company itself would have fared badly if the matter had ended there. In 1846, however, while Wakefield was ill, other leaders arrived at an agreement with the Colonial Office by which the British Government granted a loan of £100,000, and in 1847 passed an Act giving the Company "the entire and exclusive disposal of all Crown lands; and the exercise of the Crown's right of pre-emption of lands belonging to the natives in the southern government of New Zealand".(9)

This arrangement, together with the cancellation of debts due to the Government, the further loan of £136,000 within the three years following, and Governmental recognition of a charge of £268,370 for land awarded previously to the Company, gave it a new lease of life. By this time it was becoming frankly commercialised, and Wakefield repudiated the agreement in scathing terms. Its existence was not prolonged, however, and in 1850 it surrendered its charter. It took a further seven years before the colonists in New Zealand could be brought to shoulder the liability assumed on their behalf by the Colonial Office; but the debt was finally paid in 1857 out of a loan from the British Government.(10)

Before this conclusion was reached, the most successful of the Wakefield experiments were launched by the Settlement of Otago in 1848 and Canterbury in 1850. The 400,000 acres of the Otago block and the 1,000,000 acres (afterwards increased to 2,400,000) of the Canterbury Settlement were granted without the complications of the earlier north island purchases. The natives were fewer and less aggressive, so that the Government agents had no difficulty in purchasing the Otago lands or the much larger areas comprising almost the whole of the south island from which the Canterbury grant was selected. The settlers, therefore, came to land of which the native titles had been extinguished, so that no conflicts were possible.

By Section 72 of the Constitution Act of 1852, giving New

Zealand responsible government, control of the waste lands passed to the colonial legislature. The New Zealand Company had surrendered its charter in 1850 and the Canterbury Association transferred its functions to the colonists of Canterbury after the passing of the Constitution Act, which also took power out of the hands of the Otago Association.

The stormy career of the New Zealand Company (paralleled by the controversies within its related associations in Otago and Canterbury) still affords ample scope for the political and constitutional historians. It is hardly adequate to consider its achievements from a purely economic standpoint. In essence it was an idealistic venture of imperial scope and purpose. Its great protagonist, Edward Gibbon Wakefield, in his vigorous repudiation of the agreement of 1846, wrote that it "was founded by men with great souls and little pockets and fell into the hands of men with great pockets and little souls". That agreement clearly rescued the shareholders of the Company from the risk of imminent bankruptcy, and eventually enabled them to conclude operations without great loss, if with little profit to themselves. It is not on this level, however, that the work of the Company was commenced, and its importance can hardly be judged by such statements. It is, to say the least, very doubtful whether New Zealand to-day would be a self-governing dominion of the British Empire if the New Zealand Company had not acted as it did in 1839.

It is not to be expected that any New Zealander will place a low estimate upon the importance of his country's development as an integral part of the British Empire. The value to the world in general of this remote and even yet small community of British settlers, almost completely homogeneous racially, must be judged in the light of the social characteristics which should be revealed in the analysis of its problems essayed in this book.

To Great Britain and the British Empire its economic value has already considerably exceeded the cost of its plantation, most of which in any case became a charge upon its own later revenues. As a source of raw materials and food-stuffs and the most valuable market in proportion to its population that Great Britain possesses, it has considerably enriched the Motherland. This value is enhanced by its reception of steady

streams of immigration and capital, by the opportunities it adds to the financial, shipping, and commercial services which Britain provides, and by an increasing return flow of individuals seeking larger fields of leadership.

In one other respect the operations of the New Zealand Company afford material of great interest to modern economists. They form an outstanding experiment in the economics of group settlement. In appraising this experiment it is to be remembered that it was undertaken almost a century ago. Its mistakes and weaknesses were those of a pioneer venture. Moreover, there was clear progress from Wakefield's first venture in South Australia to the last venture he inspired in the Settlement of Canterbury. It is easy after the event to point out the weaknesses and rigidities of his conception, the essentially aristocratic conception of society which lay behind it, and the economic difficulties into which adherence to his "uniform and sufficient" price for land plunged even Canterbury at the last. A truer test would be to compare the results of his theories with the promiscuous and unorganised emigration which settled Canada, the convict shipments which blighted Australia's earliest decades, or the Uitlander problem which arose in South Africa. New Zealand escaped many real dangers, such as those of convict settlements; its land problems were greatly reduced; and the character of its first settlers was kept extraordinarily high, largely by reason of Wakefield's activities. These are not unimportant consequences even from a narrow economic viewpoint. After three-quarters of a century of settlement such positive values loom far larger than the points of criticism with which Wakefield's contemporaries were naturally preoccupied.

THE DISPOSAL OF WASTE LANDS TO 1852

Apart from the settlement of the first land claims, and in particular of the relations of the Company with its settlers and the Maoris, the history of land alienation in the first phase of New Zealand history has two main aspects. The first of these is the task which was placed upon the Governors of purchasing land from the Maoris and extinguishing native titles. The complications of this task have been sketched in the previous chapter dealing with the economic status of the

Maoris. It remains to consider the obverse policy of disposing of the land once purchased.

Disposal of the waste lands in colonies and possessions was a fruitful theme for controversy, but New Zealand gained enormously from the experience of earlier difficulties in Canada and more particularly in Australia. By the time Hobson received his first instructions the principles advocated by Edward Gibbon Wakefield had so far gained the day that free grants of land were frowned upon and the principle of selling land at a uniform price was established. There were subsequent periods in New Zealand history when free grants were lavishly made; but for the most part the Crown estate has been sold.

The first sales in New Zealand, as in South Australia and other colonies, were of town sections, for which speculative prices were paid. The revenue derived from land sales in 1841, indeed, though relatively small (£28,540), was more than the total received from sales for the eight years following. After 1842, sales were negligible until they began slowly to pick up in 1848. At the lowest depth of the economic difficulties of the first decade, in 1845, the revenue from this source was only £155. It is to be remembered that land was obtainable also from the Company in its various settlements, but even so, the areas taken up must have been small. In 1852 the total area fenced was only 40,625 acres and the area under crop 29,140 acres.(11)

Governor Fitzroy in 1844 made desperate efforts to promote land sales even at the cost of revenue by waiving the Crown right of pre-emption and permitting purchases to be made direct from the Maoris. His first proclamation on the subject was issued in March 1844, and stipulated for a grant fee of 10s. per acre and for one-tenth of the area to be conveyed to the Crown for native reserves. A following proclamation in October 1844 reduced the grant fee from 10s. to 1d. per acre.

These proclamations, however, were in conflict with the Australasian Land Sales Act of 1842, which fixed £1 per acre as the minimum upset price at which Crown land was to be sold, instead of, as in the former instructions to Hobson, the uniform price. Fitzroy's ordinances were disallowed and he

was recalled. His successor, Sir George Grey, investigated claims made under the ordinances and incidentally provoked a serious conflict with the veteran missionaries by referring in scathing terms to claims made by them. The whole extent of land claimed under these proclamations, very little of which was validated, was less than 100,000 acres.

In 1846 Sir George Grey received from the Colonial Office, along with the draft of a constitution which he courageously suspended, detailed instructions for the disposal of waste lands. These were in support of an Act of the Imperial Parliament, which ended the application to New Zealand of the Australasian Land Sales Act of 1842; but in practice they carried on the main features of that Act and particularly the sale of lands by auction at an upset price of £1 per acre. The Act of 1846 also divided the colony into two Governmental areas, New Ulster and New Munster, a division which was to have little practical importance beyond creating a few Government offices. The control of administration, including the disposal of waste lands, remained in the hands of the Governor. The subsequent legislation of this period made no significant alterations in policy except in the matter of pastoral licences, which is considered below.

As far as land sales were concerned, therefore, in this period before self-government, the areas disposed of were small. Both in the Company lands and the Crown lands outside the Company areas, the principle was adhered to of sale at a price not below £1 per acre. No statistics exist which make possible any accurate estimate of the area so alienated.

The Australasian Land Sales Act of 1842 had, however, permitted two departures from the policy of sale at a sufficient upset price, and both of these exceptions were to have important results in New Zealand. Free grants were allowed to military and naval settlers, a precedent which became important in New Zealand during the second series of Maori wars in the sixties, when volunteers were encouraged by hopes of free grants of land, which were to be made possible by confiscations from the "rebel" Maoris. But in the period now under consideration such grants were not important.

Much more significant were the pastoral licences designed to regulate the growing tendency for pastoralists to take up

large areas outside the limits of the Wakefield settlements. New Zealand fortunately escaped almost completely the squatting era through which Australia passed in the thirties. The term "squatter" is now by a strange irony used loosely to designate any wealthy sheep-owner; but it was originally applied to the adventurous pioneers who forced their way into the interior plains of Australia and squatted without title upon land as the dispossessed small-holders of the late eighteenth century had squatted upon the village greens in England. The pastoral industry did not emerge in New Zealand until after the system of pastoral licences had been fashioned out of Australian experience. The Act of 1842 made these licences annual upon payment of a small fee. The Crown Lands Amendment and Extension Ordinance, 1851, followed in New Zealand the precedent set by the Imperial Orders-in-Council of 1847 by creating pastoral leases with a currency of fourteen years. The annual fee was £5 plus £1 for each 1,000 sheep above the first 5,000. In this way a new and most important tenure was suddenly created which was to be of great and continuing importance. "In a moment a vested interest was created, to protect which powerful influences have ever since struggled, quite naturally, but to the infinite harm of progress." (12)

The next section will deal with the advantages which this new form of leasehold tenure that had sprung from the pastoral licence system gave to the wealthy sheep-owners in the struggle to take advantage of the free sales of Crown land which were inaugurated by Sir George Grey in 1853. Most of the land troubles of the colony in the ensuing period sprung from the situation thus created. When the control of the waste lands was handed over to the colonial legislatures by the Constitution Act of 1852, comparatively little had been alienated. Statistics are unfortunately not available, but the speech of Dr. Featherston, the newly elected Superintendent of the Wellington Province, at the opening of the first session of the provincial assembly in 1853 may be taken as typical of the situation in other provinces. He gave the area of his province as 10,500,000 acres, of which 2,000,000 had been purchased from the natives, but only 235,000 had been sold. (13) Outside the area of close settlement, however, and notably in Hawke's

Bay, large areas were held upon pastoral lease, and very significantly he added the statement that further blocks amounting to 1,250,000 acres of land would be available shortly in Hawke's Bay and the Wairarapa, for selection under the regulations issued by Sir George Grey.

The situation differed from province to province merely in the amount of land purchased from the Maoris.⁽¹⁴⁾ In Taranaki and Auckland very little was available; in the south island provinces, on the other hand, the native titles had been completely extinguished. Very little of the land thus available had, however, been sold, and it does not need much imagination to realise how strategically placed were the holders of pastoral leases to gain the first all-important advantage in the scramble which inevitably set in as soon as restrictions upon the sale of land were modified.

PROVINCIAL LAND POLICIES, 1853-76

The Constitution Act left in the hands of the Governor a great deal of discretionary power in regard to the machinery for putting the new powers of self-government into effect. Sir George Grey, before he left New Zealand in 1853, took two decisions of great importance to the future development of the colony, both of which had a special bearing upon land policy. He proclaimed the provincial boundaries and convened the provincial legislatures, leaving his successor to call together the colonial legislature. In this way the provincial bodies were well organised and received a flying start before Parliament could be convened. The influence of these provincial councils, backed by a strong Provincialist Party in Parliament, threw a great deal more power into the hands of the councils than was reasonable. Most of the political controversies of the next twenty years ranged about this question. The extraordinary contrast between the struggles of the north island provinces and the abounding prosperity of those in the south island, especially in the sixties, after the outbreak of war in the north and the discovery of gold in the south, lent a great deal of bitterness to the controversies. Both the north island councils and the General Assembly were in continuous financial difficulties, while Otago and Canterbury had abundant revenues.⁽¹⁵⁾

The real cause of this peculiar situation lay in Grey's action. By the time the Central Parliament met, the Provincialists were strong enough to force through the so-called "Compact of 1856", by which the disposal of waste lands was recognised as a function of the provincial councils. This Compact lies behind the economic history of the whole period. Canterbury and Otago were the richest provinces to begin with. Their abundant revenues from land sales enabled them to keep on building public works and attracting immigrants, so that their domination continually increased, and the Central Government was powerless to reverse the agreement into which it had entered.

The second important decision made by Grey was the promulgation on March 4, 1853, of general land regulations, reducing the price of rural lands to 10s. per acre, or where certified by the Commissioner of Crown Lands, to 5s. per acre. These regulations were in force in the Province of Wellington (including Hawke's Bay), where Grey had bought large areas from the Maoris in the later years of his tenure of office; but Grey's proclamation extended their validity to all provinces with the exception only of certain lands belonging to the Otago and Canterbury Associations. (16)

There was an immediate rush to take advantage of this new opportunity. Unfortunately official statistics do not begin to show the details of land sales year by year until 1856. By this date, however, there was a marked increase in the amount of land alienated, which totalled considerably over three million acres.

Grey's inspired biographer has defended the regulations vigorously and quotes Grey's own account in later life of his motives. (17) His action was a deliberate attempt to break the Wakefield system, to destroy the possibility of building up large endowments for an established church, and to allow free access to the land by men of small capital. Moreover, he claimed that the evil results which followed his regulations were due to the fact that their intent was altered by subsequent legislation and that the land-tax which he proposed as a safeguard against aggregation was never brought into being.

As soon as Sir George Grey's back was turned his intentions were frustrated and his wishes neglected. The Hundreds Ordinance was never brought into existence by proclamation; the Regulations were altered; the

General Assembly gave over the control of the waste lands to the provincial bodies; and the provincial bodies framed such ordinances and regulations as enabled those in power to possess themselves of large portions of the public estate in different places. Dr. Featherston did indeed propose a land-tax to the Wellington Provincial Council, but it was not pushed.(18)

In view of these facts Grey always vehemently disclaimed the responsibility for setting in motion the processes of land aggregation which he was to fight so bitterly at a later date. He claimed credit, on the contrary, for settling small farmers in the Wairarapa and parts of Hawke's Bay. Wherever the responsibility may lie, the important fact is that land aggregation dates from these regulations and the provincial legislation which was largely based upon them.

The legality of Grey's action in issuing the regulations was impugned by a court decision, but the Waste Lands Act (1854) of the General Assembly confirmed them.(19) In the same year a provincial Waste Lands Act was passed delegating the power of disposal of the waste lands to the provincial assemblies. This Act was reserved for the Queen's assent, and a similar Act in 1856 was disallowed on the ground that the General Assembly had no authority to delegate its powers.(20) The "Compact of 1856", however, achieved the object of the Provincialists, and the various provinces continued to pass and act upon ordinances and regulations by which large areas of Crown land passed into private ownership. These were validated by the Waste Lands Act passed by the General Assembly in 1858. It is significant that there was no portfolio of lands in the Central Parliament until the passing of this Act in 1858, and that in 1864 the portfolio was again dropped until 1872. The real control of land policy lay in the provincial councils. "The Waste Lands Act of 1858 laid down the general conditions on which Crown lands could be dealt with by the provinces, and the virtual control of the lands then passed into the hands of the Provincial Councils, subject to the approval of the Governor."(21)

The only other important Land Act of the central legislature in this period was the New Zealand Settlements Act, 1863, the primary purpose of which was to provide free grants for military settlers in districts where the Maoris were disaffected and threatening.(22)

It is difficult in a brief summary to follow the ramifications of land legislation and regulations in the ten provinces between 1858 and 1876. These are set out admirably in Jourdain's *History of Land Legislation and Settlement in New Zealand*.(23) The broad principles underlying them and their economic consequences are, however, important. This is the period during which the great bulk of the best land of the south island and the open parts of the north island was taken up, much of it in large areas. The great object of all the provincial legislation was to sell the land and induce settlers to come into the country. Conditions of sale were made as easy as possible in most of the provinces. As early as 1856, Auckland had initiated sales on liberal credit terms, and in 1871 Wellington began sales on deferred payment, a system which was copied by Hawke's Bay, Auckland, and Otago. In 1870 Auckland adopted a homestead system of free grants, and in the Auckland and Taranaki Provinces free grants to naval and military settlers totalled 349,112 acres.(24) It was Auckland also which initiated in 1855 the system of free grants to immigrants and in 1858 a further system enabling schoolteachers to select country lands up to eighty acres. Various special settlements were also encouraged by land grants in the north island provinces.

The policy in Canterbury and Otago was in striking contrast. Within the areas granted to the original associations, sales proceeded steadily at the uniform and sufficient price of £2 per acre in Canterbury and £1 per acre in Otago. The gold discoveries helped these provinces along, and their freedom from native difficulties, as well as their accessibility, was very attractive to new settlers. Outside the areas originally granted to the Associations the sales of land were more dubiously economical. Many of the great estates of "squattocracy" were built up from pastoral leaseholds by devious methods in the back-country of the south island provinces, as well as in the more open areas of the north island in Hawke's Bay and parts of Wellington.

The net result of all this provincial legislation was that between 1856 and 1876 a total of 8,131,862 acres was sold for £7,638,731, while 2,246,806 acres were given away under various systems of free grants.(25) The methods by which these

large areas were bought are not less important than the fact that the national estate was sold. By a strange irony it was in the southern provinces, Otago and Canterbury, where Wakefield's system was best demonstrated, that most of the evils of aggregation occurred at this time. Within the limited area owned originally by the Otago and Canterbury Associations, the sale of land at the fixed price of £1 and £2 per acre brought in a steady revenue and kept the settlements compact. Outside these areas, however, especially in Otago, the holders of pastoral leases used the most ingenious devices to take advantage of the policy of free selection at low prices, which was inaugurated by Grey's regulations of 1853, and continued by the Waste Lands Act of 1858. The small man with little capital had few chances of combating their devices. They used the various preemptive rights contained in their pastoral leases, 50 acres for each shepherd's hut and for every 38½ chains of wire-fencing, to pre-empt all the desirable areas in their runs. Fences were run up all the watered valleys, shepherds' huts were put up and occupied by "dummies", sections were "gridironed" so as to enclose areas which could be used by the runholder, the most desirable portions of an area were "spotted", and gradually, as was most convenient, the large runholder achieved the ownership of his great holding on the easiest possible terms.(26)

Moreover, the boom conditions engendered by the spending of borrowed money in prosecution of the "immigration and public works policy" initiated by Vogel in 1870 raised land speculation to such a height that the "uniform and sufficient price" was, in fact, adhered to long after its usefulness had passed. As Mr. Reeves has pointed out in a well-known passage:

After twenty years, indeed, the system broke down in Canterbury. In the seventies, railway lines were suddenly rushed through the province; there was an inrush of population; and the 40s. per acre was no longer a sufficient price. The people very foolishly neither raised this price nor imposed settlement conditions upon purchases. A fever as hot as that in Adelaide in 1837 raged in Canterbury between 1872 and 1878. During it the whole of the agricultural land in that part of New Zealand passed away from the State; and the ruinous collapse which followed may be regarded as the end of the completest trial of selling land at a high uniform price without settlement conditions. The history of the experiment began with a land-fever in Adelaide and ended with a land-fever in Canterbury.(27)

THE ABOLITION OF THE PROVINCIAL SYSTEM

The anomalous situation created by the "Compact of 1856" could not have been expected to endure. The provincial councils occupied a far more important place in the politics of New Zealand than the central assembly, and some of them were much better off financially than the central body. Their finances varied widely, however, and provincial loans were at a heavy discount in the early seventies. The variety of their land legislation was very confusing, and the mere cost of supporting eleven legislatures in a colony of less than 300,000 inhabitants was excessive. Within the provinces themselves there had been secession movements, creating new provincial assemblies, and functional devolution had also transferred many of the powers of the councils to such bodies as harbour boards. (28)

It was the land policies of the provincial legislatures which in the end proved their undoing. As long as the Maori wars preoccupied the attention of the north island provinces and of Parliament, they were relatively immune from attack. In 1868 (Sir) Edward Stafford, the recognised leader of the Centralist Party, and at that time Premier of New Zealand, launched a vigorous attack upon the parochial policies of the provincial councils; but it was not until Vogel announced his borrowing policy in 1870 that the conflict became really acute.

There can be no reasonable doubt that in the very real conflict of authority and jurisdiction provoked by Vogel's measures, the Provincialists followed a shortsighted and unfortunate policy. The paramount authority of the central legislature was never in doubt. The "Compact of 1856" handing over control of land sales and revenue to the provinces had been an act of grace which at the time had been seriously criticised by the Colonial Office. That compact had not hitherto been challenged because there had not been any constructive central policy to be crossed by the Provincialists' grip of the colony's waste lands. Vogel's policy supplied such a cause of conflict. It was an integral part of his plans that the borrowing which he proposed for "immigration and public works" should be accompanied by the reservation of approximately six

million acres of lands in the areas to be opened up by railway development. Such reservation would not only have prevented much of the speculative boom which ensued; it would also have provided a revolving fund for the continuation of his policies of development. (29)

The proposal to vest control of these lands in the Central Government was fiercely assailed by the Provincialists, who had a majority in Parliament, and was therefore thrown out. With this safeguard deleted, the borrowing policy was a plain incitement to the worst form of land-gambling. The Ministry, under Vogel's guidance, made a cardinal blunder in giving way at this point; but it must be conceded that popular pressure was almost irresistible. The alienation of waste lands, which had been proceeding rapidly enough before, was greatly accelerated and indeed rose to a feverish boom. Its economic effects were disastrous. The construction of public works was made far more costly, new borrowings were necessary to keep the boom going, land passed into speculative ownership in large holdings, and the immigrants who had been brought to the colony by fair promises found themselves cooped up in the towns with little possibility of taking up land. Instead of productivity increasing, it fell off, and the burden of the debt incurred soon became a major contributing cause of the financial depression induced by falling prices.

As early as 1872, Vogel, who had rapidly become an almost unchallenged dictator, had indicated his dissatisfaction with the power of checkmate exercised by the provinces in their control over waste lands. New borrowings by the Central Government were handicapped also because of the discount at which provincial loans were standing. When in 1874 the Provincialists threw out a Forest Conservation Bill on the ground that it interfered with their control of land policy, it became obvious that some measure of readjustment was necessary.

Vogel acted with characteristic energy and decision. He had formerly been one of the leaders of the Provincialist Party, but he now determined to overthrow the whole system. There was ample reason for reviewing the legislative and financial relations of the provincial and central legislatures, but the drastic step of abolition was one of doubtful wisdom. Vogel,

however, did not hesitate once his mind was made up. He received the support of the House to a resolution introduced in the Session of 1874; and during his temporary absence in London, but with his consent, despite the bitterest opposition headed by Sir George Grey, who emerged from his retirement when danger threatened the provincial institutions which were largely his creation, the Abolition Bill was carried in 1875, to take effect from November 1, 1876. An election supervened and confirmed the decision, so that the whole provincial system was swept away. In place of the provincial councils a series of local institutions was set up. The lands of the colony came under the control of land boards, which have functioned as purely administrative bodies under the general legislative and administrative policies laid down by Parliament and the Department of Lands. From 1877, therefore, the land policy of the colony was again centralised. The damage, however, was done. Under provincial rule, especially in the later stages when abolition was clearly imminent, waste lands had been sold recklessly. There was no effective check to this policy until 1890, and by that time most of the colony's best land was freehold. The later battles of leasehold and freehold tenure concerned land of far less area and value than that which was disposed of so freely by the provinces.

THE FIRST ATTEMPTS AT LAND CONSERVATION, 1877-90

A revulsion of popular feeling carried Sir Julius Vogel out of office in 1877. Sir George Grey thereupon came into power as Premier in the colony which he had twice governed. He was surrounded by a group of young men of ability and promise, many of whom were to leave their mark on the history of the Dominion. Of these the two outstanding examples were John Ballance, who afterwards led the Liberal-Labour Party to victory in 1890, and (Sir) Robert Stout, whose long lifetime of devoted and able service has spread over at least two generations. As Liberal statesman, educationalist, Chief Justice, and in many other capacities, he has touched New Zealand development at almost every point since he first rose to important office in Grey's Ministry.

Grey commanded widespread popular support. He enunciated an alluring if somewhat vague programme of radical

legislation. Electoral reform and land taxation loomed large in this programme; but unfortunately Grey's great gifts did not include those of Parliamentary leadership. After a brief and stormy career the Liberal movement was broken into pieces, and after Grey's defeat in 1879 it did not again come into power as a definitely organised party until 1890.(30)

One of the first necessary pieces of legislation to which its hand was put was the preparation of a Lands Act to consolidate and bring some order into the chaos of provincial legislation.(31) This Act repealed fifty-six statutes and laid the foundation of centralised administrative policy. Its chief innovations, other than the setting up of administrative machinery, were the introduction of auction sales for pastoral leases, and the adoption of the system of deferred payments in the sale of waste lands. This system had been in force in some provinces, but was now made national in its scope. Under it no less than 7,687 settlers took up over a million acres of land between 1877 and 1892.(32)

Grey's Ministry also was responsible for the first land-tax enacted in the colony. The idea of a land-tax had been suggested by Grey when as Governor he promulgated his land regulations in 1853, and he lost no time in bringing the measure forward, though the actual drafting of the Bill was largely the work of Stout and Ballance. It was a mild measure imposing a flat rate of a half-penny in the pound on all land exceeding £500 in value; but taken with a reduction in Customs duties, it was significant as an attempt to alter the distribution of taxation. It was not destined, however, to become effective. Grey was out of office in 1879, and one of the first measures of his opponents was the repeal of this Act and the substitution therefor of a property-tax. In making this change (Sir) Harry Atkinson bluntly stated that the main need of the colony was to encourage settlement, and that it was unwise to place any obstacles in the way of land being taken up, even if there were the possibility of a few individuals acquiring large estates.

This argument was typical of the attitude of the party which was destined to remain in power, with one brief interval, until 1890. Atkinson himself was in office from 1879 to 1884, and Premier from 1887 to 1891. His support came largely from

the landowners, who in this period wielded an extraordinary degree of political power, reflecting the economic dominance of the grazing industry.(33) The alienation of the land, therefore, continued apace until it was checked by the Liberal-Labour victory in 1890. The remaining legislation of the period is mainly concerned with administrative machinery and with relatively minor projects of small settlement. The efforts at conservation which were attempted met an unfriendly legislature and were turned into mechanisms for further alienation.

This applies particularly to the measures introduced by Rolleston in 1882 and 1884.(34) Rolleston had been Superintendent of Canterbury and was much impressed with the necessity of conserving the remaining lands of the Crown. His Land Act of 1882 is chiefly remarkable for its introduction of the so-called "perpetual lease".(35) This tenure provided land at a low rental for tenants who thereafter were to be subject to revaluation of their leases at thirty-year intervals. The whole intent of the measure was defeated by the insertion of a clause giving tenants the right of purchase at prairie values. With this possibility added, the lease naturally became very popular, so that by 1892, 4,525 holders had taken up 1,327,632 acres.(36)

From 1884-7 John Ballance was Minister for Lands in the short-lived Stout-Vogel Government, and in that capacity he initiated a series of measures that foreshadow the later Liberal-Labour efforts to encourage closer settlement. In the Land Act of 1885 a new tenure, known as the small grazing-run lease, was initiated.(37) Land not exceeding 5,000 acres could be taken up for terms of twenty-one years with the right of renewal. The leases were auctioned at an upset price of $2\frac{1}{2}$ per cent. on the capital value fixed by the land board of the district. The tenure quickly became popular and still remains so, nearly 2,750,000 acres being so held at March 31, 1927.(38)

In the same Act, Ballance took power to set land aside for "special settlements", to be taken up by associations of purchasers, mainly on the deferred-payment system. While the area so disposed of was comparatively small (98,018 acres by 1892), nearly 1,000 settlers were involved, and the experiment

was of some importance in the north island. The regulations were amended in favour of the small settlers by the first Lands Act of the Liberal-Labour Party in 1892 and became more important thereafter.(39)

Ballance's remaining experiment, the "village-homestead special-settlement" system, proved to be less important, except that these tenures were later used in disposing of areas repurchased under the Lands for Settlements Acts.(40) It traces back to experiments made by Reid in Otago and by Rolleston, when Superintendent of Canterbury, as early as 1874, and incorporated in the Land Act of 1879. The areas taken up were small and the selectors were involved in the economic depression of the late eighties. In 1892 there remained 895 selectors holding 23,535 acres, on which they had paid rent and interest amounting to £8,350, while £2,127 was in arrears.(41) This tenure also gained a renewed impetus when the Liberal-Labour Party came into power, but the village-homestead idea, on which it was based, has never been really suitable to the individualistic temper of colonial farming. It did not fit New Zealand conditions in its attempt to provide workers' homes and small farms producing for a limited local market commodities such as fruit and vegetables, which were perishable and liable to gluts of overproduction.

In 1889 a Settlers' Revaluation Act was passed, which is important for the indication it gives of general economic conditions rather than for its intrinsic interest.(42) It provided for downward revisions of rents and valuations in substantial proportions, and indicates something of the stress through which the farming industries were passing. Prices had been falling steadily since the wild land boom of 1878 had burst and caused the acute crisis of 1879. The colony had only the one substantial export—wool—and sheep-raising was essentially a large-scale enterprise. The interesting effort to organise wheat-growing in Canterbury in the early eighties was also large-scale organisation. In 1882 the refrigerating processes had been proven successful; but it took time to organise them commercially, and the first gains naturally accrued to the large landholders who had the capital to invest. The small settlers were therefore badly handicapped at every point. Moreover, the land was locked up in large holdings, many of

which had changed hands at high prices in the boom period. As prices fell, these holdings tended to revert to the financial institutions (many of them absentee owners) which had advanced the mortgage-money by which their sale had been financed. The difficult economic situation thus produced and the measures taken to combat it will be considered in more detail in Chapter V.

THE ERA OF ALIENATION

Meantime it is essential to realise that by 1892 the great bulk of the best lands of New Zealand had become freehold. Large areas remained and still remain in the ownership of the Government; but these with few exceptions are not good quality lands. For the twenty years from 1892 to 1912 a policy of conservation and repurchase was pursued, vigorously at first, and then mildly as rising prices brought prosperity. Since 1912 the freehold policy has again triumphed. But these oscillations of policy after all affect only the fringe of the land problem of New Zealand. The bulk of the good land passed into private ownership before 1893, and comparatively little was repurchased (1,997,870 acres in all up to March 31, 1927).⁽⁴³⁾ Since the policy of conservation was reversed in 1912, successive Acts have made available to freehold purchasers every class of Crown leasehold, but the transferences resulting have not compared in area with the great quantities which passed into private ownership before 1892. Moreover, the great bulk of native land was purchased from the Maoris, mainly in large holdings, in the period between 1873, when the individualising of native titles commenced, and 1892, when pre-emption was resumed. In the latter year nearly eleven million acres remained in Maori ownership, over fifty-six millions having been sold either to the Crown or to private purchasers.⁽⁴⁴⁾ In the remaining quarter of a century another six millions have passed from Maori hands; but the greatest evil was wrought before 1892.

Accurate statistics of alienation are unfortunately difficult to obtain. There are many returns scattered through Parliamentary papers, official year-books, statistical volumes, special reports, departmental returns, and private documents. Inevitably the information found in these various sources is contra-

dictory and confusing. The earlier surveys, particularly of the provincial governments, were inaccurate, so that even the total area of the colony was not finally determined for some years. The returns available are made for different purposes and group holdings in different ways, so that it is difficult to attain consistency. Moreover, the tenures have been changed frequently by legislation, and many of them give opportunities for tenants to convert their holdings to freehold. Some of the holdings are given up or allowed to lapse in time of economic difficulty, and this adds a possibility of error in making historical comparisons.

Probably the best summary of the alienations made up to 1892 is contained in an appendix to the first Official Year Book (1892), which includes the following table:

	Million Acres.
Freehold	13·6
Held by lease and with right of purchase	1·7
Held on lease from the Crown	12·5*
Reserved for public purposes	6·6
Crown lands	8·4
Midland Railway Company	4·0†
Native lands	10·8
Barren, lakes, etc.	9·0
	<hr style="width: 100%; border: 0.5px solid black;"/>
	66·7

It is difficult to compare these figures with the latest returns, since tenures and grouping have changed so much in the meantime. One figure, however, is significant. The Crown lands sold for cash between 1856 and 1891 totalled 10·7 million acres. To this total should be added the area sold before 1856, approximately 3 million acres. In 1927 the total area made freehold by sale amounted to 17½ million acres,(45) so that in the twenty-six years from 1891-1927 less than 4 million acres were sold in all the various ways in which sale was possible. Sales of Crown land, which in the five years 1873-7 averaged 607,000 acres annually, have dropped in the five years 1923-7 to 20,000 acres annually, supplemented by leases of various kinds (which may later be turned into free-

* Of this area, 11·8 million acres were held on pastoral lease; the leasehold policy of the Liberal-Labour Party is of later date.

† Later resumed by the Crown because of failure to fulfil contract.

hold) to the annual extent of 105,000 acres.(46) Very little of the land now being disposed of can be compared either in quality or in accessibility with the land sold in earlier periods. It is to be remembered also that very large areas, totalling five million acres in 1892, were disposed of by free grants in the earlier period, a system that has entirely ceased since the policy of conservation was introduced.

It is of considerable importance to bear these facts in mind when considering the experimental land legislation of the most recent period of New Zealand. With the exception of the land-tax and the repurchase policy, that legislation has been confined to the poorer lands remaining to the Crown. There is no need to depreciate the importance of the problems involved ; but a sense of proportion can be maintained only when it is remembered that the overwhelming bulk of the best land of New Zealand had passed into private ownership before 1892.(47) The only way in which the Liberal-Labour programme and its subsequent reversal affected these lands was by making them subject to a land-tax, the effects of which will be shown to be mainly illusory, and for a few years to the possibility of forced purchase at a Government valuation.

CHAPTER IV

THE RISE OF THE PASTORAL INDUSTRY

NATURAL INDUSTRIES

The outstanding feature of New Zealand's economic development is the dominating importance of the pastoral industries, an importance which strengthens as these industries become more diversified and work out characteristic methods suitable to their new habitat. These are the "natural industries" of the Dominion, and in their organisation the practical empirical genius of the colonists is seen at its best. The ability of these antipodean farmers to compete successfully in world markets is reflected not only in good wages and a comparatively high standard of comfort, but also in land values, which seem preposterously high to many visitors from older and more densely populated lands. Such high costs of production would prove an impossible handicap if it were not for two main reasons.

In the first place, New Zealand has unparalleled natural advantages, which are often summarised in the statement that New Zealand has an ideal climate for pastoral pursuits. These, however, would be insufficient if they were not exploited by efficient organisation in the various phases of the primary pastoral industries. It is the high degree of technical skill which has been evolved in animal breeding, in the development of pastures, economy of labour costs, and careful attention to quality and mass-production in the manufacturing of food products, which make possible the volume of production that alone could support the high standard of living demanded in New Zealand. There are many respects in which efficiency is lower than it ought to be, and others in which abuse of the natural powers of the soil has led to deterioration. Some of these will be discussed later. It is important that they should be recognised, and if possible remedied; but the fact remains that there is a high degree of efficiency, different, indeed, from intensive farming methods in other lands, but suited to the extensive type of farming in New Zealand, and that upon this efficiency rests the prosperity of the Dominion. Wages and profits depend upon production, and if New Zealand enjoys

high standards of comfort it is because managerial skill of a high order has maximised production. Shearing-sheds, where highly trained workers make individual tallies paralleled only in the sister Dominion, Australia; meat-works, where all the advantages of mass-production are achieved; and butter-factories of a size which opens wide the eyes even of expert overseas observers, supplement the more elusive but even more important skill involved in the primary farming processes.

It is obvious, therefore, that a clear statement of the events which led to New Zealand specialising in such economic activities is fundamental to any understanding of her problems. Any such statement involves a recognition of the empirical, trial and error methods by which specialisation was finally achieved. New Zealand did not become a pastoral country without many efforts to develop other supplementary industries and to discover the best methods of organisation. The remaining sections of this chapter attempt to outline the main features of the first stages of this double line of experiment.

THE EXPLOITATION OF NATURAL RESOURCES

The whaling and sealing carried on in New Zealand waters in the first thirty years of the nineteenth century is a classic illustration of the wanton destruction of an important national asset by unscientific and unrestrained exploitation.⁽¹⁾ This picturesque episode is of some importance in the political history of the Dominion, since it led to the first settlements and involved the British Government in the necessity of taking steps to regulate the intercourse of the visiting sailors with the native race. Economically, however, the importance of the period is greater to Australia and to the eastern ports of the United States of America than to New Zealand. The south seas fisheries, which included the coastal waters of New Zealand and its adjacent islands, seem originally to have been concentrated in Bass Strait. Their exploitation was directed by merchants whose bases of operation were Hobart, Sydney, and New Bedford and Salem, then thriving ports of Massachusetts. Accurate statistics do not exist, but there is ample evidence to show that large quantities of whale-oil, whalebone, and seal-skins were taken from New Zealand waters. The China fur trade was glutted, and the Greenland whaling industry

also suffered heavily. It is difficult at the present day, when as far as New Zealand is concerned the sealing industry has completely passed out of existence and whaling is restricted to one small shore station and an occasional ship, to realise the magnitude of the industry a hundred years ago. The number of American ships (which were said to control nine-tenths of the trade) was estimated in 1840 as between 600 and 700 vessels, employing more than 18,000 seamen. The value of their catch was estimated in 1845 as £1,400,000.

Apart from the destruction of what might have been a national asset of considerable value, the sole importance of this booming activity to present-day New Zealand is to be found in the settlement of bay whalers in the late thirties. The earlier sealers landed shore parties for a few months at a time, but left no permanent settlements. It was not till the late thirties that whaling stations on the southern coasts began to develop farming of a rough extensive type. In one or two cases they tided the colonists over their first difficult year or two by supplying them with sources of food-stuffs, but their farming enterprises were not highly developed, and the main reason for their existence—whaling—passed quickly into the category of forgotten episodes.

Two other lines of early trade warrant more attention. The whalers had been directed to New Zealand by the mention of their quarry in Captain Cook's writings. Cook also mentioned the possibilities of the tall timber of the north island and of the native flax. The latter provided one of the arguments advanced for the settlement of Botany Bay as a convict station, and early governors of New South Wales displayed a good deal of interest in obtaining supplies of flax and securing Maori workers to handle it. Rather cavalierly they spoke of securing "a flax-dresser or two", and actually kidnapped chiefs on one occasion to do what the latter regarded as the work of women and slaves. (2)

The export of flax prepared by native labour came to be an important trade after the return of Hongi from his visit to England in 1820. The armament race, which he began by pawning all his presents in Sydney and turning the proceeds into muskets and gunpowder, was sufficient inducement to cause the natives to undergo the laborious task of preparing

quite large quantities of the fibre for sale in Sydney. The Maoris well understood the value of the plant, which they used extensively for their own purposes; but the preparation of large quantities for export by crude methods entailed upon them a vast amount of labour. The export rose rapidly, however, from the first commercial shipment to Sydney in 1818 to a peak of over 10,000 tons in 1831. By this time there was considerable interest in the fibre in Britain, and a Captain Harris, R.N., C.B., Member of the House of Commons for Grimsby, had set up a factory for its manufacture, which was honoured by the patronage of King George IV. (3)

Despite these auspicious beginnings the trade languished after the boom of 1830 and 1831. Unscrupulous traders sold badly prepared fibre at boom prices and gave the trade a bad reputation from which it did not recover for many years. The Maoris were disgusted with the slump in prices which followed and their production fell off. The export trade did not recover until the Civil War period in America led to prices in that market which stimulated another boom in the early seventies. New machines were introduced, but little success has to this day attended the efforts to devise satisfactory methods of preparation. The fibre has gradually taken its place as a secondary substitute or complementary fibre to Manila and similar hems. It has had its booms, notably in the period of scarcity at the close of the Great War, and has contributed steadily in more recent years to the wealth of New Zealand, but it has never fulfilled the high expectations of the pioneer days, and is now a relatively unimportant item in the economic life of the Dominion. (4)

The forest history of New Zealand is a more depressing story. Few countries have had such a magnificent heritage of forest wealth and sacrificed it for so little gain. Expert opinion is that before the arrival of the Maoris, possibly a thousand years ago, practically the whole area of the islands was forested. "By the year 1840, however, 34,000 square miles, or 35·8 per cent., of the forest lands had been converted into permanent open plains, rolling downs, and uplands." (5) The chief agent of destruction had, of course, been fire, an element introduced by the Maoris, but rendered vastly more destructive by the first white settlers. Most of this early destruction, however, occurred

in the more open drier regions, particularly of the eastern plains of the south island, which had but light forest covering at any time. The valuable commercial forests upon the wetter western coast and in the north island were protected by natural conditions until the settlers made a concerted attack upon them at a later period.

There was a growing export of New Zealand timber to Australia (which still remains the chief market) from the last decade of the eighteenth century. This trade began naturally in the manner described in the college doggerel :

One summer morn in eighteen one
A ship her anchor cast,
Stole a piece of kauri from the Maori,
And used it for a mast.

The actual date of the first cargo of timber of which record exists is 1795, when the *Fancy* brought a cargo of spars varying from 60 to 140 feet in length from the River Thames, where Captain Cook had reported the excellent timber "growing close to the water's edge, and of size and quality superior to any hitherto known", mention of which appears again and again in colonising schemes and prospectuses.(6) The extent of this earliest timber export was not very great. What statistics there are give the quantities in "loads, spars, rickers", and similar units that defy tabulation; but the value seems to have reached about £10,000 annually in the late twenties and to have declined somewhat in the thirties.(7)

The first settlers found the forests a profitable source of income and established timber-mills in practically every province, so that after 1840 the export values grew rapidly, till by 1853, the first year in which trade statistics were collected in detail for the colony as a whole, timber was the leading export, valued at £93,000. With such an apparent wealth of resources there was naturally a good deal of destruction involved in timber-getting, and Hobson as early as 1841 gazetted forest regulations to check the wasteful destruction of the kauri forests.

As the statistics of forest resources plainly show, however, it was the extension of settlement in the north island after 1880 that was responsible for the worst destruction. Between 1840 and 1880 the forest area decreased from 62,000 to 52,000 square

miles, over half of this decrease occurring in the decade 1870-80. In the next ten years another 6,000 square miles were cleared, and between 1890 and 1900 no less than 14,000 square miles suffered the same fate. So the process has gone on, necessarily with diminishing rapidity, until to-day the forest area of the Dominion is approximately 19,000 square miles, less than a third of what it was in 1840. Of this area rather more than half is classified by the State Forest Service as unprofitable or inaccessible.

A good deal of this destruction was deliberate and returned only indirect benefits.

The vital energies of the pioneer were concentrated on deforestation. Before axe and fire the virgin forests melted away. Decade after decade this process went on, for ingrained in the settler from childhood was the tradition that the forest was his enemy, to be destroyed before the soil would yield its riches. Indeed, in time it came to pass that the forests were driven back to the uplands, to the mountainous hinterlands, to the cold morainal bogs; but the unreasoning habit of bush destruction had become a sort of religion—fire was now the master instead of the servant. In the eyes of many the indigenous forest was so much garbage, to be swept out of existence. (8)

From time to time there were discussions of conservation, and even spasmodic and limited attempts at legislation and administration. Parliamentary discussions date back at least as far as 1860. In 1869 the six provincial superintendents reported to Parliament upon the state of the forests in their areas, and the geologist Hector warned the country of the ultimate consequences of the policy of destruction. In 1870 Vogel pleaded for an effective forest policy, and in 1874 passed the New Zealand Forests Act. The first Conservator appointed had a rather hopeless task, and remained only twelve months. The extraordinary progress of destruction in the eighties led to further half-hearted measures, which for the first time recognised the necessity of proclaiming forest reserves for their timber, as distinct from their climatic and scenic value. Forest officers were appointed under the Department of Lands and worked out a policy on sound lines, but the pressure for settlement was too strong for them, and in 1888 an economy campaign practically killed their activities. No effective measures of conservation were taken thereafter until the timber famine

of the war period forced the problem again to the front. Following a masterly report by Sir David Hutchins, a State Forest Service was created in 1920 and has had considerable success in safeguarding the remaining indigenous forest resources of the Dominion.

That this action was overdue is clear, not only from the rapid rate of destruction and the comparatively small resources remaining, but also from the growing danger from floods and erosion in certain areas. It is somewhat alarming to realise that "New Zealand possesses two and a half million acres of desert wilderness which is being added to at the rate of a hundred thousand acres per year, producing nothing of value to man or beast, but valuable for the production of forest crops".(9)

It is for this reason, as well as to check denudation and floods, that the State Forest Service has carried on a vigorous campaign for the dedication of forest areas, for the combating of pests like rabbits and deer,(10) the regulation of timber-getting, and for reforestation. As a result of rather more than six years' operations, over seven and a half million acres have been dedicated to forest purposes, and a comprehensive programme of survey, research, and education is being carried out.

The other aspect of forest policy, reforestation by the planting mainly of exotic trees, dates back to the arrival of the first settlers on the Canterbury Plains. Local bodies began afforestation as early as the seventies, again in the open lands of Canterbury and Otago, and some of these plantations, notably those controlled by the Selwyn Plantation Board and the Ashburton County Council, are now very useful illustrations of the deferred but highly profitable returns from timber-planting on suitable lands.(11)

The Governmental attempts at afforestation date back to 1896 and have been connected with the employment of good-conduct prisoners in healthful open-air occupations. The advent of the State Forest Service has, however, given a great impetus to tree-planting, which has increased steadily until there are now a hundred thousand acres of plantations, which are being added to at an increasing rate which in 1927 had reached twenty thousand acres annually. Commercial ventures in afforestation in the same year planted more than 50,000 acres.(12) There is some ground for criticism concerning the

operation of some syndicates engaged in this business, and the profit will probably go in greater part to the promoters than to the shareholders in many cases; but the ultimate returns of the soundly organised companies, though likely to be less than prospectuses suggest, will be worth while. Of the soundness of forestry as a Governmental venture there can be little doubt, and New Zealand seems to be grappling with its problem successfully, though rather late in the day.(13)

THE BEGINNINGS OF AGRICULTURE

It is a clear step forward from the exploitation and destruction of wasting assets like timber, flax, whales, and seals, to the first efforts at permanent agriculture. It is obvious enough that with properly regulated conservation even the whaling and sealing industries might have become organised on a permanent basis. The flax and timber trades have at length been brought to this point; but neither has provided the main line of economic progress. Between these early trades and the establishment of the now dominant pastoral industries there are two or three experimental stages which demand brief notice.

The first of these is the possibility foreseen by the early navigators from Captain Cook onwards, that the Maoris might develop agriculture along European lines. There is a picturesque legend that the wild pigs that provide sport in many districts of New Zealand to-day are descended from pigs set free by Cook; but historical research lends little support to that theory.(14) The Maoris had memories of the Polynesian pig; but the name "poaka" (porcker), given to the modern pig, indicates a different origin. There is no evidence to show that the pigs liberated by Captain Cook survived any better than the cattle he landed. There is plenty of evidence, however, of pigs being landed by succeeding visitors. Of all the gifts made by visiting officials and seamen the pig and the potato seem to have been most appreciated by the Maori, probably because of their similarity to the pig of Polynesian tradition and to the kumara, which was still cultivated assiduously. By the twenties of last century there was quite an active export in both articles, and the first Governor of New Zealand, Hobson, wrote officially in 1841 that "the natives raise a considerable quantity of pork, potatoes, and maize which, although it does not contribute

much as a return for imports received from New South Wales and Van Diemen's Land, provides the colonists with an ample supply of food and, in fact, relieves them from the necessity of applying to their neighbours for articles of primary necessity".(15)

As Hobson's dispatch indicates, the early export trade was diverted after colonisation to supplying the wants of the settlers. Mention has been made in an earlier chapter of the large number of canoes arriving at Auckland with cargoes of food-stuffs. It is one of the tragedies of Maori history that this first adaptation to a new economic order should have been thwarted by the early outbreak of war and racial misunderstanding.

Missionary experiments in agriculture were closely connected with this Maori development. Samuel Marsden, the pioneer missionary, who planted the first mission station in 1814, brought with him on his first voyage "one entire horse, two mares, one bull, and two cows, with a few sheep, and poultry of various kinds". From time to time this first shipment was reinforced by others; but not all the missionaries shared Marsden's agricultural enthusiasm and ability.(16) He was reduced in 1821 to begging that "a pious farmer" might be sent out from England to care for his precious cattle.

Fourteen years later, however, Charles Darwin visited the mission station at Waimate in the Bay of Islands and wrote of it as "the one bright spot" of his visit:

Fine crops of barley and wheat were standing in full ear; and in another part, fields of potatoes and clover. There were large gardens, with every fruit and vegetable which England produces; and many belonging to a warmer clime. I may instance asparagus, kidney beans, cucumbers, rhubarb, apples, pears, figs, peaches, apricots, grapes, olives, gooseberries, currants, hops, gorse for fences, and English oaks; also many kinds of flowers. Around the farmyard there were stables, a thrashing-barn with its winnowing machine, a blacksmith's forge, and on the ground ploughshares and other tools; in the middle was that happy mixture of pigs and poultry, lying comfortably together, as in every English farmyard.(17)

This pleasing picture leads Darwin to describe the flour-mill tended by a Maori and to remark upon the fact that Maori labour under missionary direction was responsible for the whole farm.(18)

It is clear that it was intensive mixed farming based upon English agricultural practice which the missionaries tried to introduce into New Zealand. The same desire is revealed by the following description of the pioneer settlement in Taranaki given in Vogel's *Handbook of New Zealand*. (19)

The earth also yielded abundantly—wheat just chipped in with a mattock returned rich harvests of golden grain. Mills were erected, and quantities of fine flour exported. Grass also flourished: Dutch white clover sprang up in all directions; and butter soon became an article of export. Poultry became plentiful, and the bee produced great quantities of honey. The settler found comfort, and if his farm brought little cash to his pocket he was amply supplied by it with all the necessaries of life, and was cheered by seeing the daisy, primrose, and other British flowers, and all the fruits of his native land flourish in luxuriance round his humble cottage.

This is a pretty picture; but it masks much real distress. If the economic progress of the colony had depended upon the breaking in of land to intensive cultivation, it would have been a slow and heartrending business. The export of flour and wheat, even when supplemented by that of timber, flax, and potatoes, was quite insufficient to command the requisite quantity of imports to keep the settlements going.

It was some time, indeed, before the settlers discovered that sheep-raising was the easiest and most profitable industry to establish. The first pioneer farmers had stocked their runs with scrub cattle and there was some little export of live stock to Sydney in the forties. As early as 1839 also, the first experimental shipment of wool reached Hobart from one of the southern farms—a small shipment only, but “exceeding both in length and staple and firmness of texture any wool ever produced in New South Wales, the beautiful manner in which it was washed and sorted sufficiently explaining the superiority of the climate of New Zealand”. (20)

After the Wakefield colonists landed at Wellington in 1840 the few small experiments in animal-farming were quite unable to supply the needs of the settlers. “Butter, beef, and mutton were almost unknown luxuries, there being few domestic animals in the country.” An early colonist later was able to write of “the only cow then in Wellington”. (21) The spreading out of pioneer settlers, particularly to the south island, is well illustrated by the arrival of John Deans in June 1843 at Port

Cooper (Lyttelton), bringing with him "three mares, 61 head of cattle and 43 sheep, and a supply of implements, wheat, barley, lucerne, potatoes, and oats" with which to begin farming the land he and his brother had taken up the previous year. (22)

In the same way Bidwill imported a flock of 300 Romneys in 1843, while Charles Clifford imported 400 merino ewes to Wellington in 1844 and drove them round the sea-coast to the Wairarapa Plains. Two years later Clifford and his partner Weld landed larger flocks in the Nelson Province and drove them overland to the plains north of Canterbury.

By this time there were altogether 36,352 sheep in the country, as well as 5,611 head of cattle, mostly in the plains above mentioned. (23) It was at this juncture that a depression and drought in Australia turned the attention of many of the squatters there to the opportunities offered by the newly opened lands in the south island of New Zealand.

THE DISCOVERY OF THE GOLDEN FLEECE

The diversion of organised settlement to the more open and less hostile plains of the south island came, therefore, at the time when the settlers were realising that sheep-raising was destined to be the most immediately profitable avenue of development. The settlement of Otago in 1848 and Canterbury in 1850 was, of course, influenced partly by this fact, though the Wakefield policies, which were based upon agricultural rather than pastoral organisation, remained unchanged in these last organised efforts. It was at this juncture that New Zealand profited most from the experience and difficulties of Australia.

In the years immediately preceding the discovery of alluvial gold in Australia there was severe economic depression. Prices had not yet responded to the stimulus of the Californian gold discoveries, and bad seasons in Australia accentuated the depressing effects of low prices. Station property and stock were at a discount. It was not uncommon for sheep stations to be sold "with all the sheep depasturing thereon at a price computed according to the number of sheep, valuing the latter at from fourpence to sixpence per head, and this aggregate sum included station buildings, boiling-down establishments, and all the appurtenances of a first-class station".

The natural result of such a depressing situation was that these experienced Australian sheep-farmers began to look elsewhere, and in the words of a Canterbury pioneer,

finding the Canterbury Plains eminently adapted for stock-grazing, and the climate of New Zealand promising an immunity from those periodic visitations of floods and droughts which were frequently so destructive to stock in Australia, they may be supposed to have summed up the prospective advantages somewhat in this wise: New and fertile pastures, more lambs, more wool, fewer casualties, and for some, perhaps many, years a good market for stock, dispensing with the boiling-down process. Favourable reports soon found their way into the Port Philip (Victoria) and New South Wales papers, particularly one written by Mr. Joseph Hawdon, a gentleman upon whose judgment and experience the greatest confidence was placed, and in consequence many of the squatters joined in the migration to Canterbury, and a brisk carrying trade of sheep, cattle, and horses to Lyttelton was the result.(24)

It was in Canterbury that this development mainly occurred. The open nature of the plains so well described a little later by Samuel Butler invited occupation.(25) Similar developments occurred, however, in the Wairarapa district after Sir George Grey opened them to selection by his cheap-land regulations of 1853, and in the Hawke's Bay district. Elsewhere the extension of pastoral industry was relatively slow. Even in Otago the number of sheep in 1856 was only 83,196.(26)

The rapid growth of the "extensive" type of sheep-farming in the ensuing period is shown by the rapid and cumulative increase in flocks, improvement in the weight of the fleece, and the improvement of pastures. The brief table on the opposite page, culled from census returns, shows between 1858 and 1881 an eightfold increase in flocks, the weight of wool per sheep almost doubled, and an increase in the area of land under cultivation (almost wholly sown grasses for pasture) from a hundred and forty thousand acres to over five millions.

The year 1881 is a convenient point of comparison for many reasons, chief of which is the revolution induced in the sheep-grazing industry by the first successful shipment of frozen meat in the following year. Another very important fact to be remembered is that by 1881 the pastoral industry in the south island had reached the peak of extension. The subsequent development both of sheep-raising and of dairy-farming has been predominantly in the north island. Between 1886 and

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1926 the flocks of the south island fluctuated about ten millions and hardly increased at all; but the number of sheep in the north island grew from five and a quarter millions to almost fourteen millions. The economic problems of this latter period, therefore, are very different from those of the first "extensive" phase of pastoral farming. It is convenient, however, at this point to indicate the main trend of subsequent progress. As

SHEEP-FARMING IN NEW ZEALAND

NUMBER OF SHEEP, EXPORT OF WOOL, AND EXTENT OF CULTIVATED LAND
AT CENSUS PERIODS 1858-1926

I. Year.	II. Number of Sheep.	III. Wool Exported.	IV. Value.	V. Column III divided by Column II.	VI. Land under Cultivation (mainly Sown Grasses).
	Millions.	Lbs. (millions).	£ (thousands).	Lbs.	Acres (millions).
1858	1.5	3.8	254	2.5	.1
1861	2.7	7.9	524	2.8	.2
1864	4.9	16.7	1,071	3.4	.4
1867	8.4	27.2	1,581	3.2	.7
1871	9.7	37.8	1,606	3.9	1.2
1874	11.7	46.8	2,835	4.0	1.9
1878	13.1	59.3	3,293	4.5	4.0
1881	12.2	59.4	2,910	4.8	5.2
1886	15.2	90.9	3,073	6.0	6.8
1891	17.9	106.2	4,130	6.0	8.9
1896	19.1	129.2	4,392	6.7	10.7
1901	20.2	146.8	3,699	7.0	12.7
1906	20.1	154.4	6,766	7.7	14.2
1911	24.0	169.4	6,491	7.0	16.3
1916	24.8	185.5	12,386	7.5	16.9
1921	23.3	158.7	5,221	6.9	18.2
1926	24.9	213.2	11,830	8.5	18.8

disclosed by the statistics, it may best be summarised in the statement that between 1881 and 1911 the flocks doubled in numbers with a very slight increasing tendency thereafter. The yield of wool per sheep has also shown a fairly steady tendency to increase, and is now at least three times as great as it was when New Zealand first began the pastoral industry.

This improvement is due to many reasons, among which must be reckoned the improvement of pastures, which now cover almost nineteen million acres, of which sixteen and

three-quarter millions are in permanently sown pasture, and over a million in hay, green, and root crops, used for pasture purposes. This is in addition to the more than fourteen million acres of tussock and native grasses used for grazing purposes. (27)

Improvement of pastures was, however, a comparatively late development, and it belongs mainly to the economic re-organization induced by the more intensive farming of the period following refrigeration. The census returns of 1867 show nearly eight and a half million sheep and less than three-quarters of a million acres of improved pasture. It is at this point that progress begins to be greatly accelerated by the stimulus of the borrowing boom which began in 1870. Between 1871 and 1881 the area of improved pastures was more than quadrupled. This area was more than trebled in the thirty years following.

Of much greater importance in the early period was the effort to stem the threatened deterioration of flocks from indiscriminate breeding and failure to select the better stocks. The first sheep brought over to New Zealand were chiefly merinos, descended from the flocks introduced to Australia by Captain Macarthur in 1803. They were as well adapted to thrive on the hill-country of New Zealand as on the rather scanty feed of the interior plains of Australia, but they were an inferior breed compared with the merinos which hold their own to this day in the back-country. As the first pioneers brought over their flocks the number of breeds increased and a great deal of cross-breeding ensued. There was no market for meat, and as long as the native pastures were abundant, the flocks were allowed to multiply without culling as long as they could carry a fleece.

The inevitable tendency to deterioration was stayed in three main ways. By a process of trial and error, still incomplete, but now well advanced, sheep-farmers learned to suit their flocks to the widely differing conditions of the various localities. From the hardy merino on the back-country to the heavier breeds such as the Romney Marsh on more productive lands, all the various breeds of sheep were tried out.

As interbreeding went on, tending to reduce all flocks to a heterogeneous mixture of cross-breeds, efforts were made to develop stud flocks. The Canterbury Pastoral Association held

its first show of sheep as early as 1859.(28) It is extremely difficult, if not impossible, to indicate all the pioneer experiments. Nor is this necessary in a general account of economic development, though there is room for a technical review of the progress of sheep-farming in New Zealand. It is sufficient here to point out that the effort to develop pure-bred stud flocks has met with increasing success, so that not only the stud flocks themselves, but the proportion of sheep of distinctive breed, is steadily increasing.(29) There is little indiscriminate breeding to-day.

The third and most interesting line of development besides the selection of breeds suitable to different localities and the raising of the general standard by controlled breeding is the definite establishment of a characteristic New Zealand breed, the Corriedale. Older breeds, notably the Romney and the merino, are still in the great majority, but in 1927 there were enumerated over 900,000 Corriedale sheep, of which nearly 50,000 were in stud flocks registered in the flock-book. It is mainly this dual-purpose sheep, producing both a heavy, lustrous, fine-wool fleece and an early maturing carcass, that has brought New Zealand into the position of exporting stud sheep to countries like South Africa, Argentine, Uruguay, and the United States.

The experiments which finally resulted in evolving this new breed began between 1866 and 1868 upon the Corriedale sheep station in North Otago.(30) The pioneer in these experiments was Mr. James Little, who inbred the half-bred progeny of Romneys and merinos. This first flock was dispersed, but other experiments followed by Mr. Little and by other breeders. The breed was finally stabilised in the seventies as a new type inbred from half-breds resulting from crossing merinos with long-woolled varieties. Though the first cross was with Romneys, the main foundation of the present flocks is a merino-Lincoln cross. There is also some English Leicester and Border Leicester blood in the breed. There are still some echoes of controversy concerning the stability of the new type, and it has by no means displaced the older varieties, which are more suitable for some conditions of soil and climate; but its establishment is an indication of the technique which has developed in the hands of skilled sheep-breeders.

A DEVELOPING TECHNIQUE

It is not the purpose of this book to provide a scientific description of the technique of sheep-raising as it has been developed in New Zealand. Such a description would involve not only a great deal of historical research, but considerable technical equipment and knowledge. There is scattered information to be gleaned from such manuals as that which was published by Weld as early as 1851 under the title *Hints to Intending Sheep-Farmers in New Zealand*, and Fuller's *Five Years' Residence in New Zealand*, written in 1859, as well as from official publications. Adequate treatment would also involve the utilisation of the great store of practical knowledge which exists only in the experience of practical sheep-farmers.

Such a task, however, is one for the practical farmer or the biologist. All that is necessary for purposes of economic record is the establishment of the fact that this developing technique exists and is, indeed, the chief foundation of New Zealand's material prosperity. A hint has already been given of the importance of cultivation and the improvement of pastures. The importance of sheep-breeding has also been mentioned. These primary techniques calling for skill that is gained mainly by experience are still in process of development. In them the natural scientist, hitherto rather neglected in New Zealand, has much to offer. There are many problems which have remained unsolved, or have actually been created by reliance upon purely empirical methods to the exclusion of scientific research. This question will be raised later in another connection. Meantime one may notice, in passing, the very healthy tendency in recent times to turn to the scientist for practical help. The biologist can help in breeding grasses as well as animals, the soil chemist in fertilising and cultivation, the entomologist in controlling plant diseases and introduced pests. (31)

It is the organisation of sheep-farming as a business, both in its primary and secondary processes, that offers the best illustration of the success of the practical farmer in devising technique to suit the new conditions in New Zealand. It is essential to realise that sheep-farming, especially in the earlier period with which this chapter is mainly concerned, is a

large-scale industry. Even in the later period, when smaller scale mixed farming has grown to be more important, the advantages of large-scale methods are still obtained by co-operation and commercial organisation. All of the essential features of mass-production, usually credited only to the newer factories in America, are to be observed in a well-organised shearing-shed, and most of them anticipated and owe little to Henry Ford or the Fordisation of industry. The maximum use of mechanical power, highly specialised and skilled workers, and careful planning of processes result in maximum output and minimum labour costs.

A shearing-shed on a big station is indeed a lesson in economic organisation. The thousands of sheep gathered in from the outlying hill-slopes are massed about a long low shed. At daybreak the shearers begin on the sheep that have been driven indoors overnight so that their fleeces will not be damp with dew. The pens within the shed are kept full throughout the day. With a deft kick the shearer opens the low swing-door of the pen and drags his sheep on to the "board", where it is pinned helplessly by a firm pressure of the knee behind its shoulder. The machine shears hang just where the shearer can readily seize them, and with his long sweeping motions the fleece falls unbroken upon the floor in a minimum of time. "Fleece-ohs" gather up the wool and take it to the end of the shed, where it is thrown with one motion across the sorting-table. The stained and ragged pieces are skirted off and flung into separate piles, and the fleece is placed by the wool-classer in the bin appropriate to its quality and kind. Thence it is taken a few steps to the press, and within a few hours the bales, pressed, sewn, and marked, are ready for carting to the wool-store. Only by the most careful organisation could large flocks running into the tens of thousands be handled so expeditiously. The slightest fall of rain halts the work, for damp wool under pressure will cause fires by spontaneous combustion. The shearer, working by piece-wages, makes as great a tally as technical skill and sheer hard work render possible. The machines start at daybreak, rest-pauses, accompanied by "snacks" which to a town-dweller seem substantial meals, occur about every two hours, and as a result of labouring skill and effort, supplemented by equally careful organisation, pro-

duction is maximised and labour costs minimised, even though the shearer rightly demands a substantial price for his labour.

It is this high organisation of the primary industries, rather than any measures of labour legislation, upon which the prosperity of New Zealand really rests. There is no need to underestimate the beneficial effects or the historical necessity for such legislation; but it is emphatically necessary to remember that without the volume of production made possible by the characteristic technique evolved in the primary industries, such regulation of labour conditions would be futile. Moreover, this technique is novel. It does not exist in the farming industries of older lands, where smaller units of production are the rule and labour is cheaper. It is the characteristic expression of the empirical, experimental, but thoroughly practical temper of the colonist, evolving new methods to suit the circumstances of a new and vastly different environment.

The manufacturing side of the wool industry lacks an adequate market in New Zealand, so that over 95 per cent. of the clip is exported overseas.⁽³²⁾ The commercial organisation of this large trade is practically an extension of the Yorkshire woollen industry and is again highly organised. The wool-bales are carefully inspected, by the sample method, by buyers whose practical experience enables them to estimate with extraordinary precision the extent of yolk in the wool, its probable loss of weight in the long voyage overseas, as well as its quality and spinning counts. With their catalogues marked with approximate prices in which these estimates have been summed up (largely by almost subconscious calculation), and with buying instructions on their desks, these experts meet in auction competition at the regular wool sales held in various centres. All the wool-using countries of the world are represented; but the Yorkshire dialect prevails in the bidding, and British financial enterprise provides the credit upon which the growers' cheques are drawn. The variant qualities of wool forbid the standardisation upon which speculative future markets are based. Competition is fiercely personal and based entirely upon individual judgments of qualities and values. The expert buying of wool, with its related operations of finance, shipping, and insurance, parallels in the commercial field the skilled technique of the wool-grower.

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THE ADVENT OF REFRIGERATION

The essentially large-scale methods of organisation sketched in the preceding sections relate mainly to the production and sale of wool. As long as New Zealand's distance from her principal market remained an effective barrier to the transport of perishable products, wool was the dominating commodity, both of production and of export. Its importance is well illustrated by the following summary table showing the chief items of exports at ten yearly periods between 1853 and 1883.(33)

PRINCIPAL EXPORTS OF NEW ZEALAND, 1853-83

(000s omitted)

Export.	1853.	1863.	1873.	1883.
	£	£	£	£
Timber	93	18	44	125
Wool	67	830	2,702	3,014
Grain	19	—	136	1,287
Kauri gum	16	27	86	337
Gold	—	2,432	1,987	892
Tallow	—	—	67	234
Flax	—	—	144	37
Meat by-products	—	12	49	69
Flour	—	—	12	65
Butter	—	—	—	42
Rabbit-skins	—	—	—	101

This table, which includes all the commodities whose value reached £10,000 in any of the years recorded, is an epitome of the economic life of New Zealand in this period. The rise and decline of the alluvial gold-mining industry, the diminishing importance of the early trade in timber, flax, and kauri gum, and the dominating importance of wool, are already apparent. The large export of grain, which reached a peak in the year 1883, was due to the efforts made to develop large-scale wheat-farming by mechanical methods essentially similar to those described in connection with the shearing-shed.(34) The pictures of great wheat paddocks, with large numbers of harvesters following one another in succession, which sometimes occur still in books on New Zealand, really date from

this period. The advent of refrigeration quickly turned attention from this experiment, and except for a brief spurt at the time of the South African War, grain-growing has for the past forty years been a domestic industry. The beginnings of export in tinned meats are also indicated in the table,(35) and the sudden appearance of rabbit-skins as an important item of export is a reminder of the rapid increase of this imported pest.(36) By the end of the seventies they had increased so greatly, especially in the back-country, that they had eaten the scanty grass from under the sheep. Their depredations were especially severe upon the pastoral leasehold lands where holdings were large—the rough country afforded more protection, and there was not the incentive of ownership to check their increase. Their destruction of the grass close to the roots, added to the effect of overstocking, reduced the value of large areas of land in Otago and Canterbury, and contributed not a little to the failure of these south island provinces to maintain their economic leadership in the next period of development. In certain areas the destruction of the scanty pasture on the hill-sides facilitated erosion and denudation in the same way as deforestation. In recent years the increased value of rabbit-skins and more effective methods of combating the pest, vigorously enforced by Rabbit Boards and the Department of Agriculture, have greatly reduced their depredations. In many areas the pastures have greatly improved in consequence.

The table of exports as a whole reveals clearly the overwhelming importance of wool and wheat among the primary industries, both of them large-scale types of farming. As the appearance of tinned meats among the exports indicates, attempts had already been made to find some more profitable outlet for the sheep's carcass than the boiling-down works. Successful experiments in refrigeration, however, altered the whole outlook of the industry at this juncture. Not the least important result of the new development was the possibility which it opened up to the small farmer of using more intensive methods of mixed farming. The ultimate results of refrigeration struck a heavy blow at the dominance of the wool-kings, but it was they who made the first experiments and reaped the first profits from the new process.

The development of the new methods of preserving meat so that it could be transported long distances and kept over long periods of time was not an accidental fortuitous discovery. It was made only after prolonged patient research and many false leads.(37) The economic situation obviously demanded it. In Britain, and to a less extent in other European lands, the food problem became more and more acute as the industrial revolution developed and concentrated a rapidly increasing population more and more in the manufacturing towns. The possibility of making some connection between the flocks and herds of South America and the Southern colonies, on the one hand, and the hungry British market on the other, was recognised early in the nineteenth century. It is a rather sad commentary upon the tendency of economists to generalise from local and temporary circumstances, that the foremost British economists in their zeal for free trade assured the British farmers that there could never be any reason for them to fear overseas competition. As late as 1842 J. R. McCulloch could argue that "no country is likely to send any stock to England, or, indeed, has any to send, with the exception of the countries round Hamburgh, and the imports thence cannot be considerable".(38)

Yet experiments in the preserving of meat from Australia go back at least to 1843, and meat tinning or canning dates back another thirty years still. Experiments which met with promising success in Australia in the late forties were checked by the discovery of gold in the fifties and sixties creating a local market and disorganising local organisation. In the late sixties, however, canning experiments were resumed, and in 1869 a New Zealand Meat Preserving Company established works in several places, mainly in the south island.(39) This was not a profitable venture, since it was not possible at that time to make use of the by-products, but, as the statistical table quoted above shows, it did develop a small export trade. In the meantime Australian pioneers, notably Mort and Harrison, were at work on more scientific lines. The latter used the first refrigerating machine in the world in a brewery at Bendigo in 1851, and ten years later Mort set up the first meat-freezing works at Sydney. At the same time, experiments in chilling processes for the shorter voyage from the United States

to Britain were well under way, and it had become apparent that transport under low temperatures was destined to solve the problem. It was not till 1879 that the mechanical and commercial problems involved had so far been solved that a trial shipment on a commercial scale could be made. Both Mort and Harrison had met with failure in earlier attempts. The *Strathleven's* cargo, however, was landed in excellent condition at London on February 2, 1880. The first careful report upon the venture, made after personal inspection, was that made by the London representative of the New Zealand Loan and Mercantile Agency. (40)

The problem of the Australian sheep-farmers was, of course, almost identical with that of their fellows in New Zealand. By this time the economic depression following the Vogel boom had set in in real earnest. The year 1879 had seen a most disheartening fall in prices, and it was of the most immediate and pressing importance that the export of wool should be supplemented by that of its joint product, meat. One of the great financial companies, into whose control many large sheep stations had fallen and many more were destined to fall before the financial stringency worked itself out, authorised the preliminary expenditure necessary to fit up a ship for a trial voyage. Many were the problems to be solved. A mechanical failure caused the experiment to break down in its early stages, but another effort was made and, after an exciting and perilous voyage, was at last crowned with complete success. The *Dunedin* arrived in London on May 24, 1882, with its cargo of 4,460 sheep and 449 lamb carcasses in such excellent condition that they met a ready sale upon the Smithfield Market. The net returns were not large, but sufficient to indicate the possibilities of the trade, which was well launched by this courageous enterprise. (41)

The first successful shipment was indeed "a prodigious fact", as *The Times* called it, both for the producers in New Zealand and for the consuming public in Great Britain; but much remained to be done before the trade was firmly organised. The first technical problem had been solved, but there were a host of subsidiary problems. Improvement in methods has been continuous and is still continuing as the result of practical experience and scientific research. The first shipment had

been frozen on board the *Dunedin*; but even before that ship sailed, the first frozen meat company was floated in Dunedin. This pioneer company, the New Zealand Refrigerating Company, was never on a very large scale, but upon its absorption in 1905 by the Christchurch Meat Company it gave its name to one of the largest existing enterprises in the Dominion. Other companies quickly followed: the Canterbury Frozen Meat Company in November 1881; the Gear Meat Company, of Wellington, almost exactly a year later, being earliest in the field.(42)

The meat-works operated by these and other companies are now such a familiar sight in almost every district of the Dominion that it is easy to forget the difficult steps by which they reached their present methods of large-scale efficiency. As economic enterprises they are excellently organised, producing a whole range of joint products, from the wool and pelt of the slaughtered sheep to the frozen carcass, kidneys, sweetbreads, potted tongues, concentrated extract, casings, and even blood and bone fertilisers. Nothing is wasted, and the most spotless cleanliness is maintained under detailed Governmental inspection and grading. The same system of high organisation, piece-wages, and skilled specialised labour obtains as in a shearing-shed, with the same result of mass-production at low cost.

This, however, is not the whole story. The meat had to be carried as well as frozen. Vogel's great programme of railway construction in the seventies had opened up the country-side effectively if somewhat expensively. By a process of experiment it was now necessary to evolve the refrigerated vans that are so common a sight upon the railways at the present time. Swift had built the first refrigerated car in the United States in 1875, and his effort was quickly copied in New Zealand when the need arose.(43) In the same way, the needs of the new bulk cargo revolutionised shipbuilding for the colonial trade. The New Zealand Shipping Company had begun operations in 1873. In 1883 it initiated a direct steamer service with Britain and fitted its steamers with refrigerating machinery. Other companies followed suit, until steamers now sail with the regularity of railway expresses, and rarely have any difficulties in landing their cargoes in first-class condition. The fitting of

the ships, defects in the refrigerating machinery, and insufficient care in the preparation and freezing before shipment were responsible for a substantial proportion of failures in the first decades, but that proportion has declined almost to vanishing-point.(44)

In the same way insurance and commercial services have gradually been brought to a high pitch of efficiency, with a consequent steady lowering of transportation costs.(45) It is upon this commercial revolution, almost as much as upon the technical invention which it exploited, that the subsequent prosperity of the Dominion has rested. The reduction of costs lowered prices in the home market relatively, though in a time of generally rising prices not absolutely, and so stimulated demand. At the same time, it increased the proportion of the value of the product which reached the primary producer, and so contributed directly to the economic welfare of the colony. The problems involved in this great commercial development are by no means all solved yet, but the first most difficult bases of achievement were reached before the end of the century.

It will be obvious, from all that has been sketched in this section, that the whole development of meat-freezing was a large-scale enterprise promoted and financed by the great sheep-owners and their financial affiliations. Their constructive initiative in these matters is clear and needs no comment. It added enormously to the wealth of New Zealand. If the story had ended there, however, it is possible that the economic organisation of the Dominion might have taken the same shape as in the very similar situation produced in some of the competing South American countries. New Zealand might have been a country of great sheep and cattle stations, the operations of which were integrated closely with large-scale secondary manufacturing and financial enterprises, with a clearly marked division between the capitalist owners and the labourers.

It is essential, therefore, to turn next to a consideration of the forces which challenged and largely overthrew the entrenched power of "the landed oligarchy". Financial and economic power is not absent in New Zealand to-day, but there are few countries where wealth is so widely distributed,

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where the small- and medium-scale farming is so influential, and where labour is so capable of safeguarding its own interests. The next chapters are devoted, therefore, to a description of the movements, partly political, but more largely economic and social, that wrought this change.

CHAPTER V

THE ORIGINS OF STATE SOCIALISM

A STUDY IN ECONOMIC PATHOLOGY

Between the booming prosperity of New Zealand in the early seventies and the experimental legislation which made the colony famous in the nineties there is a long period during which the forces of discontent gathered themselves for an attack upon the land monopolists. Any analysis of these forces must take account of two sets of factors, unless, indeed, one is content with such an all-embracing theory as the materialist interpretation of history. No economist is likely to deny the influence of economic forces upon political change; but in addition to the facts of economic development, some account must be taken of the theories to which those facts gave rise. It is important, in other words, to know not only what happened in this period of discontent, but also what people thought about it. Whether the happenings produced the theories, or the theories influenced the facts, is a problem that may be left to the metaphysicians of social science.

In the following pages an attempt is made to outline the economic condition of New Zealand at the end of the Vogel boom, and to show how the efforts to remedy that condition became concentrated into the legislative programme of the Liberal-Labour Party. The story is not a simple one, nor is it possible to treat this or any period of economic history out of relation to preceding and following periods. The depression which ruled in New Zealand throughout the eighties was the result of complex causes which lead into many different aspects of economic, political, and social organisation. Part of the story has necessarily been anticipated in tracing the native land difficulties which diverted settlement into the south island provinces, in discussing the methods by which land was alienated to private ownership, and in sketching the large-scale organisation of the principal farming industries at this time.

The continuity of social development is further illustrated by the fact that the economic basis upon which the experimental legislation of the nineties was built was already being

undermined by the transformation of the farming industries caused by the introduction of refrigeration. Some mention has been made of the frozen-meat industry and of the revolutionary changes in farming practice which it portended. The even more important growth of dairying, however, has yet to be sketched. It is treated more conveniently in a later chapter, both because it was slower to get under way and because it was connected so closely with the opening up of the north island.

It is essential, therefore, to remember that the economic stress of the period treated in this chapter was a passing episode due to a chance combination of factors, and that when the stress was at its worst, the beginnings of a new and more prosperous order might well have been clear to a prophetic eye. Neither the economic depression of the eighties, nor the legislative experiments to which it gave birth in the following decade, was truly characteristic of New Zealand. Rather were they the products of a pathological situation which yielded, in the ensuing period of prosperity, to such healing economic forces as a widening basis of industries, the opening up of new lands, and more favourable external markets, rather than to political regulation. It is, unfortunately, only too easy to approach economic history by way of politics. The constructive organisation of economic life is difficult to describe, but the records of political interference with it lie open to the most casual student or observer. Yet it is only in periods of economic difficulty that such political interference is really of first-rate importance, and obsession with this aspect of history tends inevitably to stress the pathology rather than the physiology of economic growth. In this respect, as in many others, that country (or that industry) is happiest which has least history.

The true and characteristic economic history of New Zealand is to be found in the progress of farming methods; the improvement of pastures; the breeding of sheep and cattle; the opening up of the country-side by public works; the organisation of transport, banking, commerce, and secondary industries; and above all, in the increase of numbers and the improvement of human welfare. When, as in the period now to be studied, there is a perceptible check to such progress, political and legislative measures become important; but that in itself

indicates an abnormal situation. The New Zealand people, as a shrewd French observer has acutely remarked, are "practical and opportunist to the point of cynicism". In this they exemplify the Anglo-Saxon concern for results rather than principles, and

are more intent upon achieving things than reasoning about them. They proceed empirically, without theory, without principles, without pretensions, one might almost say, always prepared to amend or even repeal a law they have passed, if experience should show that it does not produce the results they expected; and without the least concern for the results which it may possibly have in fifty or one hundred years. Such is the character of English politicians. They do not pique themselves on arriving at a final solution of problems; all they care for is to serve the needs of the moment, and they look no farther.(1)

With such facts as these in mind, we may pass to a consideration of the circumstances which temporarily led the New Zealand colonists to undertake extensive experiments in legislative interference with economic development. It will be clear that as their difficulties thickened in the eighties, they laid hold of expedients which for the most part were theoretical suggestions originating in other lands. These they translated into practical measures of immediate application without, however, following them to their logical theoretical conclusions. As economic pressure was relieved, whether by the success of such legislation or by extraneous economic developments, they again followed a characteristic Anglo-Saxon course in retaining the form of experimental legislation while subtly modifying its administrative effect. There were, indeed, certain institutional developments, notably in connection with the Arbitration Court, which took on a life of their own, somewhat different from the intentions of their authors. In other cases, as in the leasehold tenures, laws were frankly amended or repealed. Broadly speaking, however, as economic development emerged into easier circumstances, the importance of legislative controls was lessened, and these controls underwent considerable, if subtle, administrative change.

BARRIERS TO SETTLEMENT

Perhaps the easiest way to approach an understanding of this episode in New Zealand's history is by a recapitulation

of certain elementary but fundamental features of the economic organisation of the colony at this time. The first outstanding fact is the maintenance of what may be regarded as an artificial frontier or barrier to settlement by the locking up of the rich north island lands. Until the late eighties settlement was, broadly speaking, confined to the south island, and to certain more accessible areas such as the Wairarapa district and Hawke's Bay in the north island. The dominance of the southern provinces in politics, especially after the increase of immigration consequent upon the gold-rushes, enabled them also to get the lion's share of public works and immigration resulting from the expenditure of borrowed money in the Vogel boom of the seventies. This, in turn, increased their population and political influence. It was a New Zealand mainly concentrated in the south island which felt the strain of economic depression, and embarked upon heroic measures of legislative experiment in order to find a way out. The pushing back of this frontier of settlement by the cessation of native troubles, and the opening up of the north island, was the principal means of relieving congestion in the next generation, and the principal reason also for the administrative modification of much of the experimental legislation.

It is possible that this relief might have come earlier if it had not been for another obvious barrier to settlement—the system of land tenures, by which great landholders were enabled in the seventies and eighties to aggregate large areas of land. Evidence has already been adduced to prove that before 1890 the great bulk of the colony's most fertile and accessible land had already passed into private ownership. This evidence needs to be read with the description given of the large-scale methods of farming then in vogue. Land was held in large areas and farmed only by the most extensive methods. This is primarily true of the south island; but it applies also to those areas of native land in the north island which were purchased from the Maoris in the period between 1862 and 1892, when the Crown right of pre-emption was waived and private purchasers, "plying the natives with cash and often with rum", made haste to build up great estates. The very complexity of Maori titles, as has already been pointed out, played into the hands of the large landowners.

The free trade in Maori lands, especially in the period after the war settlement in 1872, and the legislation of 1873 for individualising land titles, was not only disastrous to the Maoris, but, as the Royal Commission of 1891 emphasised, was "against the public interest" also.

Some colour of necessity was given to this aggregation of land in large areas by the overwhelming importance of the wool industry in New Zealand economy at this time. Sheep-raising for wool is essentially a large-scale industry, calling for low labour costs and extensive, rather than intensive, methods. As long as wool remained the mainstay of the colony's exports, the economic dominance of the wool-growers was paralleled by their influence in the legislature. This barrier to settlement was considerably modified when the demonstrated success of refrigeration opened up profitable markets for other forms of pastoral produce. This was a development of the late eighties, which fortunately checked also the exploitation of virgin fertility by the continuous wheat-cropping which was being practised on a large scale in certain areas, especially in Canterbury.(2)

It was therefore into a New Zealand largely cooped up in the south island provinces, with its lands held in large areas by a comparatively few great landowners, and with only three products—wool, grain, and gold—of outstanding importance, that Vogel injected the forced development of his borrowing policy in 1870. The broad features of that policy have already been outlined, and the economics of borrowing for development will be considered in a later chapter. It is the effects of the expenditure of loan money upon industrial organisation which should be noticed at this point.

The first important effect was the incentive and opportunity which it provided for the further aggregation of great estates. The Vogel policy of borrowing for public works and assisted immigration might have survived criticism much more effectively if the safeguards against aggregation originally proposed by its author had not been swept aside. The borrowing was launched just at the time when "new colonial values were being created by the development of mechanical transport", (3) and when Britain needed new sources of supply. It was one of the earliest signs of that secondary "migration

of capital" from which the structure of the modern British Empire has grown.(4)

Its almost inevitable weaknesses, arising from hastily considered and wasteful expenditure and from poor selection of immigrants and lack of adequate preparation for their reception, might have been much less obvious blemishes if the colonial legislature had not negatived the proposals for setting aside reservations of public lands. With these safeguards omitted, the expenditure of twenty millions of borrowed money within ten years, and the introduction of 100,000 immigrants in the same period, created a wild boom in land values.(5) In the scramble that followed, the large landowners held all the advantages. The ensuing depression only served to consolidate their grip of the land, which passed back from the hands of optimistic purchasers to the mortgagees and, in only too many cases, to finance companies, many of which were largely of absentee ownership. As the depression deepened in the eighties, the banks also found themselves burdened with real estate, so that their assets became "frozen" and credit for further development was almost unobtainable.

The net result on landholding, therefore, was to add a financial frontier to the existing geographical and tenorial barriers to settlements. The land was locked up in large stations that were unprofitable, even when organised as extensive wool-producing units, and were still more unprofitable when viewed in relation to the opportunities of the new mixed farming after refrigeration. Until their finance could be readjusted no progress was possible. Many stations were for sale, but at prices commensurate with the mortgages. Reductions of land values involved long, painful processes of liquidation; legislation directed against large holdings helped to break them up in the nineties, but it was not till after 1900 that a rising level of general prices floated land values back again to the level of 1878 and finally lifted the incubus. The effect of this financial situation is well stated by Reeves:

Few extensive holdings were being worked to anything like the best advantage. Most of them were heavily mortgaged; many were in the grip of the financiers, and were carried on from year to year with the least possible outlay of capital. It was a commonplace that half the great estates were for sale; and so they were, at a price. The mortgagees would not sell

at a loss, and could seldom sell at a profit. They hung on to the land, watching one another and waiting for a rise in prices and for a brisk demand which naturally did not come. Prices could not rise until a good proportion of the land was cut up and settled. The owners could not afford to cut it up until prices rose. There was a deadlock. What, more than anything else, exasperated the public was that many parts of New Zealand are perhaps as well suited for fairly close settlement as any spots in the world. Rainfall, soil, and proximity to seaports combine to mark out the more fertile tracts as the small man's country. And, whilst the country was just fitted for working farmers, and lying empty and waiting for their hands, men in hundreds and thousands, farmers' sons and country labourers, were growing up and working on other men's land, albeit they had the skill, knowledge, and strength to manage holdings of their own. The cry for land in New Zealand in 1890 was no mere urban sentimentalism. It was no mere factitious outcome of the preaching of theorists, who imagined that by calling "Back to the Land!" loudly enough and long enough they could transplant superfluous men and women from the cities to the wilderness and keep them there. There was something of this, no doubt. But in the main it was a genuine hunger for land, coming from the landless amongst a rural population. Distress in the towns strengthened it, and an exodus to Australia in the years 1886-91 pointed the moral. A colony, when population is deserting it, is like a child that shrinks instead of growing.(6)

THE BEGINNINGS OF URBAN INDUSTRY

The secondary effects of such a situation extended far beyond the farming industries. The land-hunger itself was genuine and important, and found vent in the steadily increasing hostility to the "landowning oligarchy", which provided the drive behind the Liberal-Labour land legislation of the next decade. But it must also be viewed in its relation to the wholesale immigration of the seventies and to the industrial prospects held out to assisted immigrants. The prolonged depression of the local market, and the stringent finance caused by the locking up of capital in overvalued land, reacted detrimentally on these prospects and caused great bitterness.

The character of the inducements held out to immigrants is clearly revealed in the *Handbook of New Zealand*, printed in London in 1875 and edited by Vogel himself. This compendious little volume contains excellent descriptive articles by such eminent authorities as Fox, McLean, Gisborne, and Hector, and is supplemented by detailed accounts of the various provinces. The provincial accounts follow a uniform arrangement, stressing the opportunities for land settlement, the possibilities of new industries and public works under

construction. There is a strong competitive note running through them, and a tendency to lay stress upon industrial prospects which have only too often proved illusory. Vogel himself tended to stress this feature, as the following passage from his Introduction will show.

Success naturally induces imitation, and hence, perhaps, the existing industries may have become too deeply grooved. The fact that sheep and wheat have been so successful in the south does not make it a necessary consequence that they are the most suitable productions for the north. Amongst the benefits an influx of population will bestow on the colony may be anticipated that of an impetus being given to new industries, suitable to the circumstances of the several parts of the colony, but which in the early days were overlooked.(7)

This fairly careful and plausible statement was only too apt to be expanded into such an essay as that of E. J. Wakefield's in the following year, entitled "The Malvern Hills Guide; or Mines and Manufactures, cheap Coal and Building Materials, great helps to the colonization by Railway of a large Farming and Grazing District". It was equally likely to be translated into an ambitious programme of railway and road construction, which, in this case, was to "terminate in the immediate vicinity of the coal-fields and deposits of iron-ore".(8) Fifty years have passed since these statements were made and the railway was built. Brown coal has been mined in the district in small quantities; but no iron-ore has ever been worked, and the clay deposits, despite many efforts, have returned little profit. The railway, in consequence, has steadily contributed to the difficulties of the railway system as a whole.

This somewhat extreme example has been cited to emphasise the fact that the great bulk of assisted immigration in this period of boom consisted of town-dwellers who were led to expect employment in urban industries. They brought with them the urban outlook. Their numbers included many trade unionists and Radicals. Along with manufacturing industry, therefore, came the typical labour reaction to it, and this formed no inconsiderable factor in the fashioning of political ideas in the ensuing generation. It was not, however, and still is not, characteristic of the New Zealand people as a whole. As in Australia, "the city has been built up, and many of its industries are still carried on, by the immigration of the town-dwellers

of the United Kingdom". (9) In New Zealand, however, unlike Australia, this phase passed with the depression of the eighties. The restored dominance of the country-side in the last generation is the fundamental reason for most of the marked differences between the two sister Dominions to-day.

As long as the expenditure of borrowed money carried New Zealand along prosperously in the seventies, local manufacturing industries found fairly easy lodgment. Mechanical industries had received their first impetus from the demands created by the gold-rushes. The best coal-deposits of New Zealand were opened up in the same period—the late sixties. (10) They lie on the west coast of the south island, just north of the gold-fields, which centred at Hokitika after 1865. Coal production and export were not recorded till 1878, but by that time the annual production was 162,000 tons. The development of large-scale wheat-farming further stimulated machine industries in the seventies, and evoked new types of agricultural implements suited to local conditions.

In the boom period also there was a considerable expansion of industries using raw materials of local production. The official catalogue of the international exhibition, held in Christchurch in 1882, refers to the range of exhibits in the following optimistic terms.

Pottery, terra-cotta ware, ornamental glassware, furniture, upholstery, cabinet-work; doors, sashes, and other woodware; inlaid work, for which the adaptability of New Zealand woods is beautifully demonstrated; ranges, stoves, grates, and such ironwork; brushware; clothing, hats and caps of all kinds; woollen goods, wool rugs and mats, feather dressing; ropes, lines, and twines; leather and leather goods of all kinds, including boots, shoes, saddlery, and harness; jewellery and silversmiths' work; grain and wool produce, biscuits and various kinds of flour and farinaceous food, confectionery; bees, beehives, and honey, dairy produce, pickles, sauces, essences, jellies, jams, cordials, and liquors; coffee and spices; ales and beers; wines; garden and other seeds, flax and flax manufactures; oils, glues, manures; chemical and pharmaceutical preparations; soap, tallow, candles; printing, stationery, photography, electrotyping, and engraving; scientific apparatus, watchmakers' and jewellers' tools; Maori wares; all kinds of ladies' fancy and plain work; water-colour and oil paintings and drawings; machinery, tinware, brassware—all are displayed here in admirably arranged bays and glass cases, showing that in those industries suitable to the colony into which energy and capital has been thrown, New Zealand can well hold her own, and need not be ashamed to compete against any country in the world. (11)

The details of individual exhibits, however, indicate plainly that most of these industries were in an embryonic stage, and in the following period of falling prices and depression, their difficulties were greatly multiplied. Those that survived quite naturally demanded tariff protection, and this demand allied itself with and reinforced both the radical demands of the trade unionists and the land-hunger of the small farmers.

The actual growth of local industries was very slow. In 1887 the chief Government engineer, W. N. Blair, wrote very pertinently that "although the question of promoting colonial industries is a very old one, it has only risen into prominence during the last five or six years, and within the last three years the importance of the subject has literally been forced on the attention of the colony. The low price of wool, the falling off in the returns from the gold-fields, and the practical collapse of the grain trade has convinced the whole community that we must have more outlets for our energies." (12)

(Sir) Robert Stout, who was then Premier, wrote in 1886, with justifiable optimism, of the progress made by the colony since 1864, and showed the progression of wants from "the bush saw-pit and the blacksmith's forge" to "industries dependent on natural products, which are not easily obtainable from other countries", and thence to a wider range of manufactures. He was able to show that at least the beginnings had been made in a fairly considerable number of industries catering for the local market, even before tariff protection. The beginnings, however, were small indeed, and the figures he quoted from the census of 1881 showed that the only industries with total capital (value of land, buildings, machinery, and plant) greater than £200,000 were saw-milling, gas-works, breweries, grain-mills, printing establishments, and collieries. The woollen-mills in operation had less than £100,000 capital, and the boot-factories less than £50,000 between them; while the agricultural implement works producing "ploughs, chaff-cutters, grass-mowers, winnowing machines, disc-harrows, drills, reapers and binders, horse-powers (? mowers), corn-crushers, horse-hoes, scrub-cutters, grass-seed threshers, cream-separators, churns, etc.," had only £43,854 invested in the whole industry. (13)

Even in 1890 industrial development was still rudimentary, as the following summary table will show. (14)

NEW ZEALAND MANUFACTURES, 1890

Industry.	Number of Factories.	Hands Employed.	Wages Paid.	Value of Land, Buildings, Machinery, and Plant.	Total Value of Produce.
Meat, preserving, freezing, and boiling-down works	43	1,568	£ 138,459	£ 476,151	£ 1,464,659
Tanning, fellmongering ..	104	1,196	92,442	153,592	1,026,349
Grain-mills	129	499	52,384	391,828	991,812
Saw-mills	243	3,266	271,814	500,272	832,959
Boot and shoe factories ..	47	1,943	124,990	82,137	403,736
Printing establishments ..	142	2,569	214,185	341,683	354,559
Iron and brass foundries ..	68	1,727	152,687	262,042	390,943
Collieries	95	1,655	173,538	155,671	279,777
Woolen-mills	8	1,175	79,040	259,955	279,175
Gold and quartz-mining works	135	1,971	183,582	241,715	278,893
Flax-mills	177	3,204	116,168	146,792	234,266
Gasworks	27	249	31,700	730,490	178,947
Clothing factories	19	1,290	52,754	59,735	166,579
Soap and candle works ..	19	209	21,394	74,443	155,714
Cheese and butter factories	74	269	14,928	100,453	150,957
Machines, tools, and imple-ments	43	556	46,887	76,783	148,364
Other industries	295	11,881	117,415	671,172	860,851

THE NEMESIS OF DEPRESSION

The precarious economic situation of New Zealand at the end of the Vogel boom will be apparent from the foregoing analysis. It was recognised at a very early stage, not only by Vogel's political opponents, but by such former colleagues as the Hon. G. M. Waterhouse, who in 1873 resigned the Premiership of the Cabinet in which Vogel was Colonial Treasurer and leader of the Lower House. (15) Such protests, however, passed unheeded, and so did a sharp fall of prices in 1873-4. Not until the great fall in prices of 1878-9 was there any effective realisation of impending catastrophe.

The ramifications of the depression of the eighties extend into every department of economic life. There is little need to follow the complicated and rather debatable financial methods of Vogel and his successors upon the London Money

Market. These have been trenchantly and somewhat bitterly recorded in Carter's *An Historical Sketch of New Zealand Loans*, published in 1886.(16) Colonial borrowing was in its infancy, and the market had not at this time accumulated the fund of experience and laid the traditions which now safeguard both home investors and taxpayers in the borrowing Dominions. It is clear that the loans were in many cases expensively raised, and that the burden of interest was thereby made disproportionate to the benefits received from loan expenditures.

When this expenditure was halted after 1879, and imports began to fall heavily in value, the public finances were jeopardised. In the decade 1881-90 the Customs duties furnished 72 per cent. of the revenue raised by taxation. Imports fell heavily from the boom figures of the seventies and Customs revenue fell also. Territorial revenue derived from land sales and leases fell in a single year to 20 per cent. of its total in 1878. The financial state of the colony may be judged from the following summary table.(17)

PUBLIC FINANCE IN NEW ZEALAND, 1874-90
(000s omitted)

Year.	Revenue.	Expenditure.		Public Debt.	Population.
		Out of Revenue.	Out of Loan.		
	£	£	£	£	
1874	3,069	2,961	2,726	13,367	342
1875	2,814	3,432	3,108	17,400	376
1876	3,580	4,305	2,066	18,678	399
1877	3,916	3,822	1,827	20,691	409
1878	4,168	4,365	1,288	22,608	433
1879	3,135	3,845	1,973	23,958	464
1880	3,285	4,020	2,229	28,583	485
1881	3,757	3,676	1,070	29,659	501
1882	3,917	3,825	822	30,236	518
1883	3,871	3,924	1,192	31,385	541
1884	3,707	3,854*	1,566	32,861	564
1885	3,860	4,046*	1,179	35,790	575
1886	3,688	4,170*	1,584	37,588	589
1887	3,463	3,954*	1,573	38,226	603
1888	4,110	3,963*	825	38,326	607
1889	3,992	3,982*	515	38,483	616
1890	4,208	4,082*	399	38,802	626

* Exclusive of charges for sinking fund met by debentures issued to an equivalent amount.

The statistics of population in the last column of this table are eloquent evidence of the results of the financial situation disclosed. Despite a cumulative natural increase by excess of births over deaths, there was a perceptible slackening of the population returns, due to the fact that, in the five years 1886-90, the departures from New Zealand exceeded the number of new immigrants by 13,200. This "exodus" was a striking reversal of the immigration influx with which the borrowing boom started.(18)

The sharp fall in revenue in 1879 and 1880 was responsible not only for increased difficulties in raising loans,(19) but also for a drastic curtailment of Governmental expenditure. A Royal Commission was appointed to survey the management of the railway system, and another to investigate expenditure on civil services generally.(20) The report of the Commissions disclosed many instances of laxity and inefficiency, and their chief recommendations, especially the all-round reduction of 10 per cent. in salaries, were again in striking contrast with Vogel's action in raising salaries all round and creating new appointments. Such measures, however, almost invariably come too late, and when they come, add to an unemployment problem already acute.

The lavish expenditure of public money during the boom period of the seventies was, unfortunately, paralleled by an unsound banking policy pursued in New Zealand as well as in Australia. The early history of New Zealand banking is very chequered, despite the fact that few banks have operated, and those always under a Charter or an Act of Parliament. A State bank was urged upon the colony as early as 1846 by the Secretary of State for the Colonies, Lord Grey, and such a bank, with a monopoly of note-issue, was in actual operation between 1850 and 1856. At this period the only other bank was the Union Bank of Australia, which had been founded at Launceston in 1837 and had opened branches in New Zealand in 1840. A local bank, named the New Zealand Banking Corporation, had opened at Kororareka in 1839, and had extended operations to Auckland in 1841, but closed its doors in 1845. When the State bank experiment ended, the Oriental Bank, with head-quarters in Melbourne, opened branches in 1857, but its branches were taken over by the Bank of New

South Wales in 1861. In the same year, also, the Bank of New Zealand was formed and, as the only locally owned bank, it received the Government accounts and was successfully established.(21)

In the period of the gold-rushes there were other banks formed: the New Zealand Banking Corporation (1862-4) continued as "The Commercial Banking Co. of N.Z." (1864-6), the Bank of Otago (founded 1863 and absorbed by the Bank of New Zealand in 1874), and the Bank of Auckland (1864-6). The Bank of Australasia also extended its operations to New Zealand in 1864. The only other banks operating in New Zealand during the boom period of the seventies were the ill-fated Colonial Bank (founded 1874, absorbed by the Bank of New Zealand, 1895) and the National Bank of New Zealand (founded in 1872).

The enumeration of these banks will indicate the fact that they were all either Australian or New Zealand in origin and ownership. Not unnaturally they yielded unwisely to local pressure and pursued policies which were harshly criticised, particularly by the London *Economist*, as unsound banking. The local financial newspaper, the *Australasian Insurance and Banking Record*, met these criticisms spiritedly on the ground that the different local conditions in Australia and New Zealand demanded more liberal policies of advances upon real security, and that there was no question of crisis involving the liquidity of the real estate assets upon which loans were being advanced. The year 1878 saw this duel at its height; but this boom year was followed by a disastrous fall in prices, and the honours of the controversy lay obviously with the *Economist*.

A competent economic historian, writing almost half a century after the events recorded, has put the matter plainly. "The banks", wrote Dr. H. D. Bedford in his unpublished *History of Banking in New Zealand*, "greatly extended their credit beyond their immediately available resources. Their management betrayed in many cases utter recklessness. The commonly accepted checks were disregarded. The banks became largely Loan Mortgage Companies, advancing with the utmost liberality on fixed securities as though the need for liquid assets in banking had passed away."

A rough measure of the excessive credit advances made in this way is the disproportionate rise in bank assets (chiefly advances and discounts) as compared with deposits. Between 1870 and 1886 deposits rose from £3.1 millions to £10.6 millions, but assets rose in the same period from £6.3 millions to £19.0 millions.(22) The ensuing years were occupied in writing down assets that could not be realised, and it was not till 1903 that the figures of 1886 were again reached. Throughout the period of boom, and well into the period of depression, the banks paid high rates of dividend, and it was not until the Colonial Bank was in difficulties and the Bank of New Zealand stared bankruptcy in the face that dividends were curtailed. In the depth of the depression, in the years about 1890, this payment of profits out of capital or, if the banks had closed, out of deposits was open to the severest criticism.(23)

The only plea that can be urged in extenuation of such unsound banking methods, apart from the general atmosphere created by the expenditure of borrowed money and the public pressure which was thereby brought to bear upon the banks, lies in the competition of the loan companies which are characteristic of Australian and New Zealand finance. These companies, which go under various names, such as stock and station agencies, investment companies, etc., originated in the pastoral period, as their name, stock and station agency, implies. They are primarily commission dealers, not only in stock, but in farm requirements. In part their financial operations consist of various extensions of "dealers' credit".(24) A farmer is helped financially to buy and stock a farm and is carried on for some time by one of these agency firms, to which he becomes tied by his loans. It is a natural development, from the provision of credit in this way, to the acceptance of deposits and the gradual assumption of all the essential functions of deposit banking. These firms are subject to none of the safeguards exacted from the chartered banks, though in the last analysis they may be regarded as very imperfectly controlled extensions of the credit-issuing powers of the banks. In times of boom they may so far extend the issues of credit that when the boom bursts and they are forced to the banks for accommodation to cover advances to their clients, the extent of their commitments constitutes an extra, indeter-

minate and very embarrassing drain upon the banks' credit resources and reserves.

This development was very obvious in the depression of the eighties, and resulted especially in the constant expansion of the banks' commitments, as the loan companies had to be propped up. Where they failed, their frozen assets were taken over by the banks, which necessarily resulted in further restricting the supply of loanable credit. This consequence was somewhat unforeseen and largely beyond the control of the bank authorities. There is, however, little that can be said in extenuation of their entering into competition with the loan companies in the boom period, and less in defence of their attitude in continuing to pay dividends and so disguising the true credit situation until the risk of imminent failure forced public action on their behalf.

UNEMPLOYMENT AND SWEATING IN LOCAL INDUSTRIES

The collapse of public expenditure, and the cumulative credit stringency of the eighties, naturally threw the local urban industries, which had been encouraged in the boom period, into most difficult straits. Unemployment was not new in New Zealand. Reference has already been made to the troubles of the early Wakefield settlements in this respect, and also to the demands of the unemployed in Dunedin in 1861, the first year of the gold-rushes. As the alluvial gold-fields began to peter out towards the end of the sixties, unemployment naturally reappeared. Meetings were held in Christchurch in 1868, and in 1870 it was reported that there were 3,000 miners out of work on the Thames gold-fields in the north island, and that half of them were so desperate that they would work for food alone. (25) In this year distress was widespread also in Great Britain, and when both the Canterbury and Otago Provincial Councils were forced to set up select committees to consider the matter in New Zealand, the attraction of Vögel's borrowing proposals was greatly reinforced.

Unemployment did not reappear in any considerable degree until the winter of 1877, and then the boom year following absorbed most of the difficulties. The final break of boom conditions in 1879, however, intensified a desperate

situation, which was widespread over the colony but worst in Canterbury, where the boom had been wildest. In May 1879 meetings in Christchurch disclosed a very angry temper among the unemployed. It found vent partly in resentment against the immigration of Chinese, which was then threatening to become a serious menace to labour conditions, and in efforts to stop any further immigration from Britain. At the same time, the bitterest reproaches were heaped upon the head of the legislators and Vogel in particular. Palliative measures, such as the provision of relief depots and soup-kitchens, were of little avail, and in June 1880 a meeting of unemployed drew up a petition to the President of the United States, begging him to render assistance by which they might migrate to America. "If this petition fails in its object," they wrote, "it will at any rate be a standing record against legislators who have brought this colony into such a deplorable condition."

In 1883 Parliament was forced to appoint a Royal Commission to investigate the problem of unemployment, which continued to be most acute in Canterbury. The Commission reported that the towns had been overbuilt, that the cessation of Governmental expenditure upon public works, coupled with bad farming seasons and high overseas freights and high rates of interest, had crippled the farmers' purchasing power and had been reflected in the towns. No constructive measures of any great significance were suggested. The indifferent attitude of the Continuous Ministry was clearly responsible for the return to power of the Stout-Vogel Ministry in 1884. Vogel still had faith in his methods of borrowing for development, but loans were not so easily raised, and after three troubled years, during which the radical tendencies of subsequent years were foreshadowed and some sound administrative reforms were put through, the Continuous Ministry came into power again in 1887. Meantime the incidence of unemployment had shifted to Dunedin and Auckland. A meeting at Dunedin in 1885 petitioned the Government of Victoria to help transfer the surplus labour of New Zealand to that colony, where conditions were much easier and were, in fact, on the verge of a boom. In 1887 the Christchurch unemployed sent a resolution to the New Zealand Government in the following terms:

Resolved that, since the Government refuses to provide work and private persons have no work to give, the unemployed should petition His Excellency the Governor to memorialise Her Most Gracious Majesty to exercise her prerogative during the year of her Jubilee by sending relief to the starving people of New Zealand.

Such meetings and resolutions, however, were of little avail before the attitude of the Premier, Sir Harry Atkinson, who bluntly lectured the unemployed on the immutable laws of political economy, and told them of his personal hardships as an early settler. In face of such a hostile reception the only course for mobile labourers was to migrate to Victoria, by this time at the height of its banking boom.

The inevitable result of prolonged urban unemployment was aggravated by the exploitation of the labour of women and minors. This was naturally worst in the clothing trades, where a vicious system of subcontracting and homework had grown up. Generally speaking, wages were desperately low, hours were long and lengthening, and working conditions were very bad. Adult male labour had escaped the worst of such conditions by standards of hours set early in the colony's history, but the sweating of female and child labour undoubtedly tended to lower wages and accentuate male unemployment, if it did not materially worsen the conditions of labour. The trade unionists, therefore, felt a vital interest in the welfare of the unorganised workers in home industries.

Public interest was aroused in the situation by a series of outspoken sermons by the Rev. Rutherford Waddell, who ministered to the largest Presbyterian Church in Dunedin. These sermons, beginning with one on "The Sin of Cheapness", were published in the *Otago Daily Times* and became the centre of a vigorous controversy. The *Times* sent around a special investigator, whose articles reported conditions that awakened the public conscience. The *Lyttelton Times* took up the agitation in Christchurch, other newspapers joined in, and gradually the full extent of the problem was revealed.

It was partly a problem of depression, low wages, and falling prices; but largely, also, a problem of lack of Governmental regulation. Inadequate organisation of labour contributed by making possible the abuse of the apprenticeship system and the growth of subcontracting. As always in such

cases, it was the homeworkers whose conditions were worst and whose competition brought down general standards. The chief need, therefore, was such Governmental regulation as would enable the more efficient employers to withstand the competition of their weaker and less scrupulous rivals.

A wave of public indignation created much public sympathy with the effort, made in Dunedin and copied in other centres, to form trade unions in these sweated industries. It also forced the unsympathetic Continuous Ministry to appoint a Royal Commission, whose report contains much detailed information concerning labour conditions at this time.⁽²⁶⁾ Though the majority of the members of this Commission found that no sweating existed in the technical meaning of that word, a minority produced a vigorous report in which the evil conditions were fully described. The chief recommendations of the Commission were in the direction of Governmental regulation. Following the Commission's report, a Factory Act was laid before the House in 1890; but it remained for the Liberal-Labour Government, which came into power in 1891, to pass the measure and, subsequently, to extend its operation considerably in the Act of 1894.

This was by no means the beginning of factory legislation in New Zealand, which goes back to 1873, when an Act was passed on the motion of J. B. Bradshaw.

In its few lines was embodied the principle that no woman or girl-child should work for more than eight hours a day in a workroom, and that the employment of a single person of the weaker sex in working on articles for trade or sale should be enough to bring a place within the definition of workroom.

At a single step the colony went as far, in principle, as any regulators of women's factory hours have dared to go since. The Act, indeed, expressly excluded piece-workers, and ignored the saleswomen in retail shops, and males of all sorts and conditions. But it prohibited factory work for females between two o'clock on Saturday afternoon and nine o'clock on Monday morning; enacted that the beginning of the regular day's work should not be earlier than nine in the morning or its end later than six in the evening; and secured four specified holidays in the year, as well as the Saturday half-holiday, all without loss of wages. One of its seven clauses dealt with sanitation, and was probably the briefest specimen of this difficult branch of legislation to be found in any statute-book. It ran: "All workrooms shall be properly ventilated."

During the next twelve years a series of small amending Acts were passed to cure the more obvious defects and supply the more patent

omissions of the pioneer Act. Women on piece-work were put on the same footing as those on time-work. Children between the ages of ten and fourteen were put on half-time, and in 1881 the factory age was raised to twelve years. Females and persons under eighteen were to have extra pay when working overtime. (27)

Beyond this weak but promising beginning there was, before 1891, little protection for the workers. The only other measures of importance before 1891 were an Employers' Liability Act, 1882, and the Workmen's Wages Act, 1884, which extended and improved the Contractors' Debts Act of 1871, which was designed to protect the wages of workers whose employers got into difficulties. Both Acts proved difficult to administer under a subcontracting system.

If legal protection was weak, the collective power of the workers to organise themselves was also at an embryonic stage. Trade union activity occurs early in New Zealand history. It is recorded that both in Wellington and in Otago, trade unionists among the first settlers stood out for the principle of the eight-hour day. As early as 1841 there was a strike for this principle among the labourers constructing the road from Wellington to the Hutt, and an attempt by the provincial authorities of Otago to revert to a ten-hour day in 1848-9 led to prolonged labour difficulties in which the men won. The actual organisation of trade unions in New Zealand, however, proceeded slowly. Immigrant unionists often retained their membership in the societies in England; but the first local societies were formed in the period of the gold-rushes in the early sixties. None of these first unions seem to have survived.

There is a dearth of primary material on the early history of trade unionism. Records have not been kept, but it is apparent from newspaper files that the next period of activity was the boom period, 1872-5. There are records of ten unions being formed in Dunedin, a similar number in Canterbury, and six each in Wellington and Auckland. It was in this period also that the interest of the great pioneer of agricultural unionism in England, Joseph Arch, was enlisted in the Vogel immigration schemes. English agriculture was just then entering its long period of depression following the importation of cheap food-stuffs, and there was great need to find employ-

ment for agricultural labourers. In 1874 a representative of Joseph Arch's National Agricultural Labourers Union visited New Zealand, the first of a long succession of English labour leaders to visit and report upon the colony.

This early unionism was registered under the Friendly Societies Act, and had no clear legal status until in 1878, on the initiative of (Sir) Robert Stout, a Trade Union Act was passed on the English model. The chief importance of this Act, beyond the facilities it provided for the re-formation of unions in the early eighties, was in the alternative it gave the militant unions which seceded from the jurisdiction of the Arbitration Court after 1906. Unions were formed and re-formed in the eighties, some of them several times. They were strongest in Otago, which was then the largest and most industrially developed city of the colony. From 1881-6 the Otago Trades and Labour Council functioned with some vigour, and in 1885 sponsored an important Trade Union Congress, to which delegates came from all over New Zealand.(28) (Sir) Robert Stout, always a staunch friend of unionism in this industrial stage of its development, was Premier at the time, and was given a rousing reception by the delegates when he addressed them. His presence was indicative of the sympathy growing up between the Liberal political movement and the trade unions, a sympathy which was very similar to that existing between Gladstonian Liberalism and the English trade unionism of the time. A Trades and Labour Council existed in Wellington also between 1884 and 1885, and efforts at co-operation were made in other centres. The congress called at Auckland for 1886, however, revealed the poverty of the unions, which was too great to enable them even to provide travelling-expenses for delegates. The strong Otago Council went out of existence temporarily in 1886, and was not revived till 1889; its vicissitudes are indicative of the troubles of unionism everywhere in the depth of the depression.(29) By the end of the eighties the movement appears to have gathered a great deal of momentum, and active trades and labour councils were functioning again in each of the centres. The "new unionism" of the late eighties in England had hardly had time to furnish much inspiration to New Zealand unionism, but organisation was being extended to the unskilled workers,

particularly the waterside workers, who in turn collected financial help for the dockers of Great Britain when they embarked on their famous strike in 1890.

Essentially the New Zealand unionism of this period was based on craft organisation, Liberal in its politics, and non-revolutionary in its aims. It is doubtful if it had much Socialist theory, and quite certain that any leanings in that direction were Fabian and State Socialist. Marx was practically unknown, and "scientific" class-conscious Socialism had not penetrated to New Zealand. The American secret society organisation of the Knights of Labour had established chapters in the New Zealand towns, but their membership was drawn mainly from the unions and they were only a passing fashion. The main stream of the movement was in the organisation of trade union opinion in the trades and labour councils. The councils in Christchurch and Dunedin were particularly active. They served as forums of political discussion, and in them was fashioned a great deal of the programme of experimental legislation with which the Liberal-Labour combination swept the electorate in 1891.

One other element in the industrial situation needs to be recorded. Throughout the eighties the first definitely organised movement for tariff protection of local industries gathered a great deal of strength. The beginnings of agitation go back to the seventies. The first pamphlet on the need for a tariff appeared in 1872, and about the same time a Colonists' Protection League Society was founded in Auckland.(30) An anonymous paper read before this Society in 1873 correctly anticipated that "the public works scheme 'carried out by means of borrowed money will in the end prove a curse to the country, unless means are taken for the future employment of the people'".(31) It was not long before this prediction began to receive practical confirmation in the complaints of industrialists and labourers, who had been led to promote new industries in the expectation of the continuance of boom conditions.(32) Generally speaking, the ruling opinion of the colony was in favour of free trade, which was by this time almost an unchallenged dogma in Great Britain, whence the colonists derived the bulk of their opinions. When Grey's Government imposed the first land-tax in 1878 it also reduced the Customs

tariff in an effort to shift the incidence of taxation. Both actions were in strict accord with Orthodox Liberal opinion in England and could be justified from the writings of John Stuart Mill. The report of the Royal Commission appointed in 1880 to investigate the demands for a higher tariff was uncompromisingly free trade in tone.(33) The beginnings of a new order were, however, foreshadowed by meetings in Christchurch and Dunedin, which passed resolutions urging the Government to foster the manufacture within New Zealand of all structural materials needed for Governmental undertakings.(34)

When the depression broke upon the colony in the eighties the protectionist agitation became linked with the trade union movement and also with the agitation against unemployment and sweating. The first political platform of the Otago Trades and Labour Council, published in 1881, contained planks advocating a protective tariff and the cessation of immigration. At the great congress of 1885 a Christchurch delegate, afterward prominently identified with the protectionist agitation, moved the following resolution, which was carried with only two dissentients:

That with a view to encouraging local industries a system of protective duties of not less than 20 per cent. should be imposed.

The New Zealand Protection Association, formed in 1884, and re-formed in 1888, counted confidently and correctly upon support from the growing trade union movement. By the end of the eighties there were active leagues or associations in every centre, and the demands for tariff protection were pressed upon the Continuous Ministry. The Sweating Commission of 1890 drew attention to the importation of shoddy, causing depression in the clothing industries, and recommended an increase of Customs duties. When the exodus of workers commenced, the demand for protection became irresistible. To the workers and city people it appeared that the stubborn opposition came mainly from the great landowners, who were primarily interested in cheap labour. Popular indignation was aroused and, somewhat unexpectedly and to the dismay of his party, Sir Harry Atkinson yielded to the clamour. In the session of 1888 he introduced a tariff giving protection

to "boot manufacturers, clothiers, machinery makers, and workers in brass and iron". This departure from free trade policy wrecked his party, and the tariff was only carried with the aid of Opposition votes. (35) It proved to be the last necessary blow to the prestige of the Conservatives and greatly helped the welding together of the Liberal Opposition. The stage was set for new policies of State interference in industrial matters generally.

THE THEORY AND PRACTICE OF "STATE SOCIALISM"

The preceding sections of this chapter have depicted a period of economic stress and social discontent. Financial and monetary deflation, which would in any case have been troublesome, had been rendered distressing by the necessity for paying off the cost of a wild land boom generated by the lavish expenditure of borrowed money. As the payment proceeded, obvious weaknesses of economic structure revealed themselves. An increasing population, many of whom had been attracted to the colony by glowing reports of economic opportunities awaiting them, found themselves hemmed in by land monopoly and other barriers to settlement. Manufacturing industries were difficult to establish, wages fell, unemployment increased, and conditions of labour worsened. The beckoning opportunities opened up by the refrigeration experiments were largely monopolised by the sheep-owners. What was to be done in such a desperate situation? Where was the way out of the impasse? What did the colonists think of their plight, of its causes and possible remedies?

The answer is superficially clear. They looked to the powers of the State and appealed to the Government for help. They agitated for, and finally got, legislation and taxation to break up the great landholdings, a protective tariff to assist local industry, labour laws to ensure reasonable working conditions, a tribunal to fix a fair level of wages, Government loans to establish small farmers on the land, State experiments to compete with trading monopolies, and Governmental relief of poverty in old age. This formidable programme of social legislation was put on the statute-book within a decade. New Zealand was in the forefront of Australasian legislative experiments. The attention of social students all over the world

was directed to the study of her laws. Before the end of the nineteenth century she had gained a reputation for "radical Socialism" that still clings to her.(36) Moreover, there were many optimists within New Zealand, and more in other lands, who hailed these measures as but the beginning of even greater experiments, ushering in an era of Socialism or at least social democracy.

Rather less than thirty years after the initiation of the experiments, however, it is clear that such expectations were unfounded. No revolutionary changes have been made in the economic structure of New Zealand. Capitalism is still firmly entrenched, the land has not been nationalised, the single-tax is not in operation, the organised wage-earners are very definitely in minority opposition, and many of the legislative experiments, already restricted both by amendments and by administrative policies, are under severe criticism. New Zealand has long since yielded the initiative in socialistic endeavour to the Australian States, and her general policies are at the present time sharply contrasted with them on such important questions as the tariff, trade union organisation, and State enterprise. It is no longer possible for an economic historian to assume a general convergence of policies. The Australian Commonwealth, and more emphatically one or two of its component States, pursue policies which make New Zealand appear conservative by contrast.

The major reason for this divergence of policies has already been suggested by inference. Australia, despite its great area, remains hemmed in by its frontiers of settlement. Its problems retain to a large degree their urban character, though happily it has for many years escaped from the burden of economic depression which it shared with New Zealand in the eighties. Its population of six millions supports two great cities (one of which has well over, and the other little less than, a million inhabitants) and several others great in proportion to their surrounding population. From this situation New Zealand has escaped by the opening up of the north island. Her towns and town problems are relatively far less important than Australia's, and much less important than they were when her experimental legislation was introduced.

When this fact is borne in mind it is easier to appreciate

the characteristic qualities which were responsible for the use of the powers of the State in an emergency, and were equally responsible for the modification of those powers when the emergency had passed. Two factors are involved, the theoretical sources of the expedients introduced, and the social situation which facilitated their introduction. A survey of the literature of the period indicates very clearly that the ideas came mainly from theorists in other lands, while the opportunism which accepted them was characteristic of New Zealand.(37) This opportunism New Zealand shares with other British colonies and notably with Australia. When her economic circumstances marched with those of the Australian States, as in the period of depression, her legislation and administration was little different from theirs. Both Dominions have subsequently climbed out of the economic depression of the eighties and early nineties; but New Zealand's recent prosperity has been based primarily on closer settlement, and especially on dairying development, while Australia since federation has consciously pursued a policy of industrial progress. This divergence of economic development is clearly reflected in their political life.

The theorists from whom ideas were taken prove upon investigation to be very mildly socialistic, and the application of their ideas in New Zealand has stopped short even of their theories. In New Zealand, as in England, whence New Zealand opinion was and still is mainly derived, there was in the eighties a good deal of interest in Utopian Socialism. The social aspirations expressed in England by literary men such as George Meredith, Matthew Arnold, and John Ruskin, scientists like Alfred Russel Wallace, Socialists like H. M. Hyndman, and academic economists like Arnold Toynbee and Cliffe Leslie, to say nothing of the great master John Stuart Mill, were very influential in New Zealand.(38) Mill had founded the Land Tenure Reform Association in 1870; Henry George published *Progress and Poverty* in 1879, Bellamy's *Looking Backward* appeared in 1887, the *Fabian Essays in Socialism* in 1889. One might almost regard the articles published by Reeves in 1890 on *Communism and Socialism* as the philosophical manifesto of the social reform movement in New Zealand.(39) The closing paragraph of these articles is significant in view of the

economic depression and the passive attitude towards it of the Government of the day.

The Socialist may be wrong; may be deluded; may be a blind leader of the blind. But at least he has something to offer, something to suggest. He does not mock us by bidding us be content with a society with which no thinking man can be content. There lies his strength.

It is difficult to resist the feeling that as far as New Zealand is concerned, the source of social legislation might almost be found in John Stuart Mill. The great master of political economy was widely read in New Zealand and had many correspondents in the colony.(40) His "infant industry" argument for tariff protection was much used, and he wrote many letters to combat what he regarded as unwarranted applications of it. His views were sought on the functions of Government, loans for housing, immigration restriction, land nationalisation, electoral reform, protective labour legislation. It would be difficult to point out any of New Zealand's social experiments to which this economic oracle would not have returned a favourable answer.(41) Even mildly Conservative colonists took refuge in his authority. Gisborne's definition of the limits within which legislation for social improvement should be confined obviously re-echoes the treatise *On Liberty*, which Mill himself regarded as his supreme contribution to political thought.(42) Those limits have been fairly observed in New Zealand.

Every competent student of this legislation has stressed the lack of socialist drive behind it. It is not revolutionary, or international, or class-conscious. Its two outstanding elements have been the use of State machinery for special purposes and a steadily deepening humanitarian trend. It will be argued later that, despite Siegfried's somewhat ungallant description,(43) the women's vote in New Zealand has been a powerful factor in pressing on humanitarian measures. It may be recalled also that Mill in his autobiography attributes the socialistic trend of his *Principles of Political Economy* almost wholly to the influence of his wife.(44)

The widening of State functions is due primarily to colonial opportunism and freedom from theories. It has little to do with Socialism. Reeves's phrase, "colonial governmentalism",

is a truer description of New Zealand practice than "State Socialism" or Metin's "socialisme sans doctrines". It is "étatisme" rather than Socialism. The most penetrating analysis yet made of this "perfect mania for appealing to the State" is Siegfried's.⁽⁴⁵⁾ His acute and sometimes acid analysis goes beyond the reasons usually put forward. It is true that the colonists learned early to rely upon the Company and then upon the Government which replaced it. Public ownership and disposal of land, later Governmental development and ownership of transport, the weakness of local bodies and equally of private organisation—all these threw action naturally into the hands of the Government. There were, moreover, few vested interests or other obstacles to overcome. State action had a comparatively clear field.

With such a history it is understandable that the advent of a greater measure of democracy should have coincided with an enlargement of State functions. Such an enlargement, Siegfried points out, appealed to colonial *naïveté* and contempt for theories. It created a feeling of self-satisfaction and distinction.

A people can advertise itself, just as a merchant or a manufacturer can. The New Zealanders are quite aware of it; and if their object has been to get talked about, they have not chosen the worst means, for, since the passing of such measures as those for compulsory arbitration and woman suffrage, everybody has heard of the little antipodean colony, of whose very existence people were once scarcely aware.

This method of carrying forward a people by appealing to its vanity, without letting it lose sight of the advantage of clever self-advertisement, is very efficacious. For more than ten years the New Zealanders have been won over to a policy which both serves their interests and flatters their pride. They are proud of their innovations and their trials of what has been tried nowhere else; they enjoy being able to smile at the timidity of old countries, and to believe that they are giving them lessons. Votes for Women? Why not? It is new: it is something to try. Is not New Zealand peculiarly fitted to undertake it? Is it a matter of old-age pensions, or some other reform of the sort? The same temptation is at hand, that of out-distancing others. And it is the same with all kinds of measures. For this strange rage for novelty lies at the inception of most of their laws.

Such are the motives on which the citizens of this too new country usually act—a country where the most advanced ideas do not meet with the necessary, though often galling, check of tradition and of the past. What the New Zealanders most need, in fact, is principles, convictions, reasoned beliefs. Parties are based much less on ideas than one might at first argue from their pretentious legislation, and much more on the interests of sec-

tions, classes, and groups. As for the influence of imagination and sentiment, it shows itself under the curious form of a patriotic vanity, which makes the New Zealanders believe that the world expects much of them, and that they must not be false to their destiny. This blend of a too practical outlook with a too exalted sense of apostleship will meet us over and over again in our study of New Zealand.(46)

Even at the time Siegfried wrote (1904), "the labour element seemed to be all-powerful". In his view the Liberal Party in 1890 "allied itself with the Labour Party" and "appropriated their programme". There is truth in this statement to the extent that the actual planks of the party platform were largely worked out in the discussions of the trades and labour councils. But the ideas go farther back and are essentially Liberal. Vogel after all was the father of State enterprise, having founded the Government Life Insurance Department in 1869 and the Public Trust Office in 1870, to say nothing of the construction of railways and public works by State enterprise. Stout advocated the leasehold system at least as early as 1875,(47) and with Ballance framed the first Land Tax Act in 1878. Moreover, Reeves, the theorist and programme-maker, and Seddon, the leader and driving-force of the Liberal-Labour Party, were both Liberals. The actual planning of the Liberal-Labour legislation was largely the work of Reeves's brain. He was in close touch with the trade unions, but was not "a leader of the Labour Party", which, in fact, had no separate existence in New Zealand until 1906.

In the period of "State Socialism", therefore, the opportunist use of State action is a characteristic New Zealand trend; but the theories upon which the various experiments were based, but which were not driven to their logical conclusion, are mainly imported. It so happened that in 1890 the economic circumstances were such as to cause ready acceptance of rather vague Utopian Socialist ideas. Political power was concentrated in the towns, where organised labour bodies were very active. Their programme of land taxation and land conservation, tariff protection, and labour legislation gained acceptance, and the powers of Government were used on its behalf. As Siegfried correctly foresaw, however, other sections of the community, temporarily in the political ascendant, could and would use the machinery of the State

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with equal readiness. In the nineties the land-hungry small farmers joined with the urban workers to attack the land monopolists, but such an unstable alliance could not long outlast the opening up of new opportunities for land settlement. It is the small farmers more than any other class who "like practical men have become almost Conservative, since, according to the classic phrase, they have been given something to conserve". Upon their conservatism, Socialist propaganda has about as much effect as the beating of the waves on the New Zealand coast.

CHAPTER VI

THE EXPERIMENTAL PERIOD

A PRACTICAL PROGRAMME

The Liberal-Labour Party came into power in 1891 and remained in power till 1912. In this long, unbroken term of office there were three distinct phases. In the first phase, described by Reeves as "the eight years' tussle", legislative experiments came thick and fast.⁽¹⁾ The second phase, from the passing of the Old Age Pension Act in 1898 to the death of Seddon in 1906, saw a perceptible slackening of the pace. This is a period of consolidation and settling down. Some extension of legislation took place, but there were no new departures of great significance. After Seddon's death there was an interregnum. Between 1906 and 1912 the Liberals, from whom the Labour Party had split in policy as early as 1906, though the Parliamentary Labour Party was not a real political force till 1914, remained in power under the leadership of Sir Joseph Ward; but their legislative policies were critically reconsidered and considerably amended. When the Conservative Party was reorganised under its new name of Reform and took office in 1912, it leaned rather upon the small farmers of the north island than upon the great landowners. It continued a good deal of the Liberal-Labour legislation, and even carried it further. But it soon became clear that the socialistic impulse had been lost, and the subsequent period has seen both legislative and administrative revision of the major experiments.

It is the first and second of these phases with which we are concerned in this chapter—the attempt, unusually successful, to place a whole legislative programme upon the statute-book within a brief space of time. Economically speaking, it is best to regard this period and this programme as belonging to the era of economic depression. It is true that the world-level of prices turned to rise in the years 1895-6, and that signs of returning prosperity were immediately manifest in New Zealand. It is also true that production was steadily increasing from the advent of refrigeration in 1882, and that this increase was greatly accelerated by the dairying developments of the early

nineties. Moreover, the opening up of the north island lands to closer settlement proceeded rapidly in the last decade of the century. The favourable turn of the price-level, therefore, found New Zealand ready with all the essential preparations for rapid economic progress. This progress must, however, be regarded as the economic reason for the changed emphasis of legislative policy after 1906 rather than the basis of the experimental legislation of the nineties.

It was human and natural for the Liberal politicians, and even for the social scientists who investigated the experiments in the first flush of their success, to take a somewhat different point of view. Most of the social scientists in question held Liberal opinions themselves and were attracted to the study of New Zealand legislation by sympathetic interest in it. They tended to accept the view of the Governmental authorities in New Zealand that the returning prosperity was at least partly due to the political measures that had been taken. There was no other source from which they could get authoritative opinions, statements of purpose, accounts of progress, statistics, and even the photographic illustrations which are duplicated in so many of their writings. Such contemporary accounts are invaluable, but they lack the necessary material, and still more the detachment, for a critical estimate of the working of the experiments. The thesis that the prosperity which began to be so pleasantly in evidence by the end of the century was at least partly due to the Liberal-Labour administration is readily defensible. It is, however, easily apt to be overrated, and in particular to be generalised, by unwarranted application to the different economic conditions of other times and other lands. As the following sections of this chapter should show, it would be ungenerous and incorrect to deny or unduly to minimise the beneficial results of the legislative steps taken to break through the economic deadlock which existed in New Zealand in 1890. The Liberal-Labour programme of legislation was soundly based upon careful analysis of the needs of the colony at the time when it was introduced. It had strong popular backing, which increased as its first results became manifest. It had been the subject of widespread popular discussion and was thoroughly understood by the constituencies. Moreover, the actual legislative measures were carefully

thought out and formed an integrated expression of a positive and definite political philosophy. The drafting of the Acts was very thorough, and great care was paid to their administration. The appropriate departments of Government were staffed with able men, so that, unlike many legislative experiments, the Liberal-Labour programme was rapidly and successfully translated into effective machinery producing practical results upon everyday economic life.

The greatest injury to the reputation of the statesmen who carried out this programme has come from the enthusiasm of those of their advocates who have viewed their work as the beginning of even greater and more revolutionary changes instead of as a very practical set of measures designed to meet a particular conjuncture of economic circumstances.⁽²⁾ Such advocates imported into a practical situation much of their own theoretical attitude. The State Socialism of New Zealand was not designed to try out a theoretical conception of social organisation. Still less was it undertaken with any notion that it might lead the way to similar experiments in other lands. The absence of the international point of view was, indeed, very striking to a detached observer like Siegfried, who was used to Continental Socialist theories. The ready reconciliation of apparently socialistic measures with a fervid patriotism amused him a good deal.

The experiments, therefore, must be viewed as merely practical expedients put into force at a critical time in the colony's history. The general effect, owing to sound administration in a small, easily governed, homogeneous community in general sympathy with the principles invoked, was immediate and striking. The same circumstances which made such success comparatively easy to obtain, also made it easy for subsequent administrations based upon different constituencies to shift the emphasis of policy very considerably. Much of the Liberal-Labour programme proved itself and passed into general and unquestioned acceptance. Its former opponents, when they came into office, took over and greatly extended the operation of many of the measures they had obstructed while in opposition. But they also took steps to reverse other legislation, particularly the leasehold tenures, and to change the spirit while retaining the form of such important experiments as

State trading enterprises, land taxation, and wage regulation. The economic and political history of New Zealand in the thirty years that have elapsed since the end of "the eight years' tussle" is a striking illustration of the way in which economic and geographical factors profoundly influence political conceptions.

THE POLITICAL BACKGROUND

The previous chapter has outlined the background of economic discontent focusing into resentment against the monopoly of the great landowners. The economic bases of the land and labour legislation are clear. The political organisation necessary to give legislative effect to measures designed to remedy this situation may also be readily summarised. It is apparent now that throughout the period of depression in the eighties there was proceeding a realignment of political parties and personalities upon economic rather than political lines.

Many observers have commented upon the high political themes discussed by New Zealand's first Parliaments and upon the eloquence and debating powers that were revealed. The earliest legislators were conscious of the fundamental and important character of their tasks. They were politically minded also above the average. Moreover, in that age of *laissez-faire*, economic problems had not begun to occupy the centre of the political stage. In New Zealand the chief economic problem of the early decades was the disposal and settlement of waste lands; but even when the granting of self-government in 1852 vested this power in the colonial legislature, it was not long before the "Compact of 1856" virtually delegated it to the provincial councils. Until 1876, therefore, it was at most an indirect cause of political controversy.

From the foundation of New Zealand in 1840 to the realignment of parties in the eighties, three great political issues occupied the Parliamentary stage. In the first decade the agitation for responsible government overshadowed everything else. When that right was conceded by the Constitution Act of 1852 it took some time for the Governmental machinery to be set up. The National Parliament did not meet till 1854, when its first stormy sessions were concerned almost wholly with the definition of the powers granted by the constitution.

A short session of one month in 1855 was followed by a four months' session the following year. The dominance of the Provincialists was clearly indicated, not only by the famous compact of this year, but also by the decision to convene biennially instead of annually. No sessions were held in 1857 or 1859.

The outbreak of the second series of Maori wars in 1860 provided the second of the great political issues. It also provided the occasion for complete settlement of the first. When the Colonial Office acquiesced in Weld's "self-reliant policy", and early in 1863 handed over formal control of native affairs, together with responsibility for the conduct of the war, the powers of self-government in domestic concerns were complete. With the exception of one brief controversy over the powers of the Governor in 1892, there has since been no challenge to the responsibility and competency of the Cabinet in matters of local concern.

The conduct of the war and native policy remained the outstanding cause of political divisions until in 1870 Vogel introduced economic elements by his policy of borrowing for immigration and public works. The new issues raised by this policy were very far reaching. Vogel has some claim to be considered "the father of State Socialism" in New Zealand. His bold extension of State functions by the creation of the Government Life Insurance Office, the Public Trust Office, the first forest conservation policies, and above all, the direct undertaking of great public works, at once created a new area of controversy.

The first result of his initiative, however, was to precipitate the third great political issue, the struggle between Provincialists and Centralists. This issue, which had steadily been rising into prominence as the Maori wars died down, was settled once and for all by the abolition of the provincial assemblies, which took effect in 1876. Thereafter the way was clear for new political divisions to emerge.

For more than a decade, however, the lines of party cleavage were very blurred. Except for two brief intervals the so-called Continuous Ministry, a shifting combination mainly of Conservatives, held office from 1870 to 1890. After the collapse of the borrowing boom much of the attention of successive

Parliaments was necessarily concentrated upon public finance and administrative economy. The Continuous Ministry held fast to the ideals of *laissez-faire* and put forward no constructive policies to remedy the economic depression which haunted New Zealand from 1879 to 1895. The legislative programme, upon which it sought the electors' support in 1890, well illustrates its negative *laissez-faire* character. "Strict but not parsimonious economy, combined with cheerfulness and a firm belief in the unbounded resources of the colony, further borrowing within the colony, the purchase of Maori lands, retention of the property tax, non-interference by the Government or Parliament with industrial disputes"⁽³⁾—these represent clearly the essentials of Conservatism remaining after a long series of groupings and re-groupings had eliminated discordant elements within the party. The mild measures of social amelioration proposed from time to time (such as Atkinson's suggestion for a contributory pension scheme) were quite in keeping with a Conservatism upon which Disraeli's "dishing of the Whigs" and Bismarck's social legislation may be conjectured to have exerted a mild and distant influence.

The welding of opposition elements into a coherent political party was greatly influenced by the economic depression. The first break in the Continuous Ministry's power came when from 1877 to 1879 the Provincialists, under Sir George Grey's leadership, held office for a short troubled period which was brought to a sudden end by the onset of the depression. Grey was a Gladstonian Liberal with an eloquent but vague belief in the march of humanity. His early adult experiences in Ireland had made him the convinced and bitter enemy of large landholders. His Ministry, coming into office immediately after the abolition of the provinces, was faced with the necessity of organising national services hitherto performed by the provincial councils. The Lands Act and Education Act of 1877 are notable landmarks in New Zealand's history. The land-tax and Trade Union Act of the following year foreshadow later policy also; but the Liberal Party at this time lacked the protectionist and State developmental features which were to be essential elements of its victory in 1890.

When the second break came in the Continuous Ministry's long lease of power, the very shuffling and rearrangement of

political allegiances indicated that realignment was well under way. After an extraordinary series of attempts by various leaders to form a Ministry, the Stout-Vogel combination took office in 1884 and remained in power till 1887.(4) Stout had held office in Grey's Ministry and, though now estranged from Grey, remained Liberal in his outlook. Vogel was on the whole a Conservative.(5) Some years earlier he had sought election to the House of Commons as a Conservative, while still Agent-General for New Zealand. The chief feature he contributed to the regrouping was the identification henceforth of State enterprise with the Liberal rather than the Conservative Party.

As the depression deepened in the late eighties and the Continuous Ministry took up more and more definitely the attitude of passive endurance rather than constructive effort, the opposition elements both in Parliament and in the electorate drew together in a coherent, if loosely organised, party. Stout lost his seat in the election of 1887 largely owing to his disinclination to acknowledge Governmental responsibility for action in economic problems such as unemployment. His Liberalism, even Radicalism, was of the *laissez-faire* type, and the loss of his leadership at this juncture threw initiative into the hands of less philosophical and more opportunist politicians, among whom Seddon gradually emerged as a natural and forceful, if untrained and unpolished, leader. The Liberal Party in Parliament carried on under the loose guidance of a small committee, but the split in the Government Party over the tariff of 1888 gave them confidence, and in the following year Ballance, the senior member of the party in political experience, was chosen as leader. It was a wise choice. Ballance was a Liberal of mild views, very friendly, and tolerant. In essential characteristics he suggests the type of leadership which was later to be exerted by Campbell-Bannerman in the House of Commons. Ballance was able quickly to rally round his genuinely Liberal views practically all the so-called "progressive" movements which sought a way out of the economic impasse by Governmental action.(6)

The election year 1890 saw a conjuncture of events peculiarly favourable to such movements. The "sweating" revelations, which strengthened the demands for a protective tariff and protective labour legislation, the culmination of prolonged

depression in an alarming exodus of population, and finally the rather unexpected and alarming outbreak of the Waterside Workers' Strike (7)—all made the Government's position very difficult.

Moreover, the electorate had been changed by the passing in 1889 of a Representation Act, to which Sir George Grey, as a private member, carried an amendment in committee abolishing plural voting. (8) The same Bill raised the "country quota", created in 1881, from 18 per cent. to 28 per cent.; but this did not militate against the Liberal-Labour Party's chances in 1890.

The development of this electoral principle of weighting the scales in favour of the country districts is worth at least passing mention. It appears to date from the Representation Act (No. 14) of 1881, which made provision for a redistribution of seats in the Lower House. The Act itself contained no mention of any discrimination between town and country; but in the course of the debate (Sir) John Hall explained that the new schedule of seats had been determined by making the numerical quota for country seats 25 per cent. less than that for the towns. Other speakers in the debate revealed the fact that it was really a device of the south island country representatives to checkmate the growing influence of the north island towns, which were just beginning to increase in population.

The next Representation Act (1887, No. 7) was introduced by (Sir) Robert Stout, who established the sound principle of appointing representation commissioners to settle electoral boundaries. In this way manipulation of boundaries in the interest of the party in power was frustrated. Stout pleaded the cause of the north island towns, but an amendment to his Bill was carried, making provision for special (i.e. country) districts to which a nominal addition of 18 per cent. was made to the number of the population. Seddon, himself a country member, voted for this amendment, a fact which supports the contention advanced above, that the country quota did not prejudice the electoral chances of the Liberals at this time.

In 1889 an Amendment Act (No. 6) was passed, raising the 18 per cent. addition to 28 per cent., "to be added to the population not contained in any city, borough, or town district which contains a population of over 2,000".

This country quota, further defined in 1914, and again in 1927, still stands at 28 per cent., which is added to the population of areas not "contained in a city or borough having a population of over 2,000, or contained in any area within five miles of the chief post offices of Auckland City, Christchurch, Dunedin, or Wellington City". Created originally in the era of southern ascendancy as a bulwark against the growing power of the north island towns, it has in recent years greatly accentuated the political power of the small farmers in the north island districts. From the point of view of the Liberal Party, Stout was right and Seddon was wrong in 1887. Once the alliance between the small farmers and Labour was broken, as it was in 1906, the country quota became an almost insuperable obstacle to the political progress of the urban Radicals. This simple electoral provision is no small part of the reason for the dominance of the country-side in New Zealand politics to this day.

These effects of the 1889 Act were, however, in the future. The election of 1890 was not influenced by them. Far more important were the results of the feminist movement, which was then at the height of its activity.

An agitation for female suffrage had begun as early as 1853, but had recently gained a new lease of life from the activities of the Women's Christian Temperance Union, which in 1886 created a "franchise department".(9) Supporters of the female franchise were to be found in both parties, and Sir John Hall, a former Conservative Premier, was perhaps the most influential among them. It is difficult to estimate how far this agitation and the connected temperance movement influenced the voters.(10) Both Ballance and his opponent, Sir John Hall, were strong advocates of woman suffrage; but in both parties there were determined opponents, and Seddon, who succeeded Ballance, was widely believed to be opposed both to the women's vote and to temperance legislation. It is probable, however, that both agitations contributed somewhat to the strength of the progressive movement, and it was Seddon's Ministry which in 1893 passed measures giving votes for women and granting local option in licensing the sale of liquor.

These were the chief confusing elements in the election of

1890; but the general economic background was such that the Liberal Party, strong in its alliance with organised labour, and backed also by the protectionist leagues, gained a majority of seven in the new House. Many of its victories had been gained by small majorities which might have been wiped out if plural voting had still existed. Among its successful candidates were six who were not only trade unionists, but were elected as Labour candidates.(11) None of these, however, attained ministerial rank, and the policy of the party was dictated by Liberal leadership, always in close touch with organised labour outside the House. The programme upon which the party had appealed to the electorate had been summarised by its historian as(12):

- The stoppage of "dummyism" in land sales.
- No more borrowing.
- Self-reliance.
- Thorough retrenchment.
- The prevention of the acquisition of land in large holdings.
- The resumption by the State of land urgently required for settlement, and vigorous settlement of the land.
- The discouragement of absentee landlordism and of speculative land purchasers.
- Better treatment of workers in factories.
- The use of railways to develop the agricultural and pastoral industries rather than as a means of imposing taxation.
- The establishment of scholarships from the primary schools to secondary schools, and to the mining and agricultural schools.
- The establishment of technical schools.
- Reform of the legislative council.
- Measures to improve the condition of the workers.
- The repeal of the property-tax and the introduction of a land- and income-tax.

The remaining sections of this chapter deal with the translation of this programme into effective legislation and administration. This translation was at first met with a constitutional difficulty of some interest.(13) Though the Continuous Ministry had been defeated at the polls, Sir Harry Atkinson did not resign for some months until Parliament had assembled and recorded a vote upon the election of the Speaker, which Atkinson took to be one of no-confidence. In the meantime he had persuaded the Governor to make a number of new appointments to the Legislative Council, the nominated members of

which held office for life. When the Liberal-Labour Ministry finally took office, therefore, it was faced with an overwhelmingly Conservative Upper House, which dealt summarily with measures embodying important planks of the Liberal-Labour platform. For some time the Governor of the day stood firm against the Ministry's request to nominate new councillors. In the constitutional deadlock thus created, Ballance appealed to the Secretary of State for the Colonies, who instructed the Governor to act upon the advice of his Ministers.

The first sessions of the Liberal-Labour regime were, therefore, a period of apprenticeship. Some measures found their way on to the statute-book shorn of their most novel and characteristic features; new departments, notably of labour and of agriculture, were created, the officers of which worked out details of further legislation, and many measures were tried out in debate. In the meantime Ballance died suddenly and unexpectedly. There was a short period of doubt concerning the next Premier. Stout, whose long experience and great gifts marked him out as a natural leader, happened not to be a member of the House at the time. The post was offered to Seddon, who was encouraged by Sir George Grey to accept it.

The new leader's mandate was strikingly confirmed by the constituencies in the election of 1893, which gave him a pledged following of fifty-six in a House of seventy-four Members. With such a mandate from the country, and with the Legislative Council tamed by twelve new appointments and the prospect of more if necessary, the way was clear for the Liberal-Labour experimental programme to be passed into law. The following year, 1894, is the *annus mirabilis* of New Zealand legislation. The Compulsory Arbitration Act, Lands for Settlement Act, Shops Act, and Advances to Settlers Act were all passed in one famous session.

THE INCIDENCE OF TAXATION

It is not without significance that the first important measure passed by the Liberal-Labour Party upon its accession to power was the Land and Income Tax Act, 1891.(14) This measure had many claims to popular favour; but the chief was that it broadened the basis of revenue, opened the way to equitably devised and graduated direct taxation, and rendered

possible the repeal of the inequitable and inelastic Property Tax. The property-tax first imposed in 1879 consisted of a flat rate of a penny in the pound on all assessed real and personal property, with an exemption of £500. It was regressive in its incidence and highly inelastic, but until 1891 it constituted an important source of revenue, together with customs and excise duties, registration fees, and stamp duties. All of these, with the exception of the death duties, were largely regressive in character.

Under the Liberal-Labour administration the distribution of taxation was somewhat altered. It is impossible at this date to make any quantitative measurement of the change, but the main tendencies are clear and easily stated.

No alteration in the Customs tariff was attempted until 1895, but in that year a thorough revision was made. The mild measures of protection granted in 1888 were considerably extended, the tariff level was raised, the schedules made more comprehensive and minute. The immediate result was an increase in revenue, which was sustained by the trade recovery that followed the turn of prices in 1895. At the same time there appeared the first movement towards "a free breakfast-table", duties being reduced or removed from food-stuffs and articles of common consumption. The next tariff revision in 1900 continued and extended both the protective duties and the remissions of duties on articles of common use, such as kerosene, which were not readily producible within the colony.

In 1903 the Preferential and Reciprocal Trade Act followed the Canadian lead by imposing additional duties upon a comparatively few items of goods of foreign origin, thus introducing an imperialist purpose. In 1907 this so-called preference was greatly extended in the last of the Liberal tariffs. In that year a complete revision of the tariff schedules was made; the major trend being the removal of duties upon such articles as sugars, dried fruits, mustard, spices, cereal foods, nuts, household chemicals, infants' food, children's boots, and sheetings. The net effect of such changes, therefore, was considerably to lighten the burden of indirect taxation upon household necessities.

While the Customs tariff, somewhat amended in the interests of the workers, remained the most important source of revenue,

the land and income taxes, which replaced the property-tax in 1891, were both more equitable and more elastic. In the first effective year of their operation the receipts were approximately equal to what had been the proceeds of the property-tax; but within ten years the income-tax receipts increased from £67,000 (in 1892-3) to £179,397 (in 1901-2).

These measures of direct taxation were hotly debated; but upon examination they do not appear to have been very drastic. The rates of land-tax were low, and so were the rates of income-tax, while the graduation was not steep. Moreover, these taxes were mutually exclusive. A landowner who paid upon the unimproved value of his land did not pay income-tax upon the receipts from working it. It is difficult, therefore, to see how the land-tax could be regarded as a penal imposition. It was paid by the farmer out of income, and differed from income-tax merely in being calculated on the basis of land value rather than income. The only circumstances under which it could become penal were when the valuations proved excessive compared with income received (as in a year of low prices or in the case of land held for speculative purposes), when the rates of tax were inequitably high compared with the rates of income-tax, or where, as in the case of urban lands upon which shops and factories operated, there was what amounted to concurrent imposition of both land and income taxes. An inspection of the revenue derived from these taxes, and a comparison of the rates, will prove that on the average the rural producers have not been subject to heavy taxation as compared with the urban industrial or professional classes. (15)

The real significance of the Land and Income Tax Act of 1891 was the introduction of the progressive principle. The problematical effect of the graduated tax in the bursting up of great estates will be discussed later. From the point of view of the incidence of taxation it is clear that, while the substitution of land and income taxes for the property-tax did not greatly shift the burden as between economic groups, within those groups it made the burden more equitable and thus was in line with the Government's policy in the Customs tariff.

This change was not, however, very drastic. Nor were any

steps taken to stiffen up the death duties, which had been introduced into New Zealand in 1881. These duties were on a graduated scale, which had been somewhat steepened in 1885, but was not made any more effective until 1909.(16)

GRADUATED TAX ON UNIMPROVED LAND VALUE

Stress has been laid in a previous chapter on the fact that the overwhelming bulk of the best land of New Zealand had become freehold before 1891. The locking up of much of this land in large overvalued and underworked holdings has also been described. Attention has further been directed to the genuine land-hunger that existed and became clamant when the economic opportunities opened up by the success of refrigeration were made manifest. The Liberal-Labour Party drew much of its support from the small farmers and farming aspirants. It came into power pledged to take steps to break through the economic deadlock created by land monopoly. A large part of its legislative programme was, in consequence, directed towards the encouragement of closer settlement. In this policy it used the powers of the State freely. Graduated land taxation, compulsory repurchase, the provision of technical experts, and loans to settlers were all novel extensions of Governmental activity. In none of them, however, was there a great deal of Socialism, except in the vaguest sense of that vague term. Single-tax arguments were used and land nationalisation was discussed, but never at any time were these really practical issues.(17)

The character of the Minister responsible for most of the land legislation clearly explains the practical, non-theoretical policies that were followed. John McKenzie had the Scottish crofter's passion for land. Closer settlement was his obsession. The small farmers whom he helped to place upon the land quickly rang the knell of any lingering hopes of land nationalisation.

The first measure of land legislation passed by the new Government was the Land and Income Tax Act of 1891. Its fiscal importance has already been discussed. When it was passed, however, it attracted more attention as a measure of land reform than as a sound piece of public finance. It was heralded as an instrument to break up the great estates an

does appear to have had some immediate psychological results in that direction.

Of these the best known is the purchase of the Cheviot Estate, described by every writer on this period of New Zealand history. (18) The taxing Act of 1891 was based on self-assessment with the shrewd device of making Government purchase at the tax value an effective check on the owner's assessment. The owners of the Cheviot Estate challenged the Government and tried to bluff McKenzie into accepting the lower valuation. McKenzie, however, called the bluff and took over the estate. The transaction proved profitable to the Government and still more profitable to the leaseholders who were placed on the land. It was an effective lesson. Landowners thereafter discovered that the tax was not unduly burdensome, but that it would be enforced.

The theoretical basis of land taxation is to be found in the conception of economic rent as a surplus reward accruing to the fortunate landowner in proportion to the differential value of his land over the poorest land which is worth cultivating. This conception appears to the modern economist to be unduly simplified. It does not consider that this surplus may also be regarded as a price, the estimate which the market places upon the advantages of the land in question in relation to the whole price system. Nor does it recognise that similar surpluses exist in the profits of industry, even in wages; that the rent of land is, in other words, merely the "leading species of a large genus". Moreover, land has competing uses with different margins of cultivation, so that the surpluses are more complex in composition than this theory allows. It is true that the estimation of the market sums up these surpluses for any particular piece of land; but it is equally true that attempts to tax the "unearned increment" may materially influence the owner's choice among competing uses for his land and so disturb the price equilibria that have been worked out.

Modern economic theory, therefore, by no means gives emphatic endorsement of land-taxes as the most scientific or even the only scientific forms of taxation. Economic analysis has proceeded a long way from the simple and even naïve treatment which both John Stuart Mill and Henry George inherited from Ricardo.

The chief interest of the land-tax, indeed, lies in the disturbances and dislocations it produces in the economic organisation. As a rough-and-ready method of attack on the land monopolist it is perhaps justifiable; as a factor influencing the choice among competing uses for land and as affecting equitable distribution of wealth between town and country industries it is at least interesting.

The form in which the New Zealand taxes were imposed, at least till the rates were drastically increased in 1907, was such as to be broadly equitable as between town and country. There is no evidence to show that the returns from a given amount of capital invested in land were more heavily taxed than the returns from a similar amount invested in other forms of industry. Rather may it be argued that the rapid increase of land values (relatively to the appreciation of other forms of invested capital) proved that in the estimation of purchasers the returns from land were, on the whole, greater.

It seems obvious, however, that the bare fact of taxation upon a graduated scale favoured those uses of land, notably dairying, for which small rather than large holdings were most suitable. This is a fact of considerable importance. It is probably the principal way in which the tax helped to break up large holdings. It is to be remembered that very shortly after the tax was imposed New Zealand entered upon a prolonged period of continuously rising prices which were naturally reflected in a steady appreciation of land values. Indeed, once confidence was restored after the depression, the inevitable tendency was for market prices to leap ahead of productive values. Buyers discounted future increases. It is probable that after 1895 the actual sale prices for land were always in excess of what could reasonably have been calculated as giving a return upon investments comparable with that received in other industries. Farmers normally expected that a large part of the reward of their enterprise would come to them in an appreciation of the value of their land.

For this reason the land-tax was not as burdensome as it might have been if land values had been stable or falling. It did not unduly penalise rural, compared with urban, investment, and its mild rates were toned down further by the lag of valuations in a rising market. Early efforts at taxation by

self-assessment and by triennial valuations were replaced in 1896 by the creation of a Valuation Department, which entered upon a continuous process of appraisal of land values. The definitions of value, of its improved and unimproved components and similar conceptions, were steadily clarified as the department improved in technique. The chief criticism to be made seems almost inescapable in any system of valuation. It is that much so-called "improvement" is intangible and is apt to be regarded as community created "unimproved value". The farmer who spends long hours straightening a creek, planning rotations, planting trees in odd corners, finds it very difficult to assess the benefit his land receives from such action. He has a resentful feeling, however, that it is he rather than the community that is responsible for the increased value of his farm.

This factor apart, valuations in New Zealand in a time of rising prices were accepted as practical, equitable, and not unduly severe. The land-tax based upon them, therefore, was not burdensome. The farmer may have grumbled, but he paid it out of a rising income or, more commonly, recouped himself at the end of his ownership by sale at an appreciated figure.

The real importance of the land-tax, therefore, lies in the fact that it was a sound measure of public finance admirably fitted to the circumstances of the times. For the property-tax with its regressive character, it substituted a new impost which fell lightly, if at all, upon the small farmer and placed the chief burden upon the large landowner. In other words, it was successful mainly because it worked with and through the economic forces which were already operating to encourage farming industries like dairying, where land value was a relatively small item of cost compared with labour and capital.

It is indeed doubtful whether, apart from these forces, it would have had a great deal of effect. With low rates and comparatively slight graduation, lagging valuations in a time of rising prices, and the coincidental imposition of at least equally heavy graduated income-taxes, the large landowners might well have grumbled and paid while retaining their lands. In the early stages of the law, until the consolidating measures of 1907, there were also a good many loopholes for evasion.(19) Statistics have often been used to show that the

increase in the number of large holdings was mainly in the lower medium range. These figures must, however, not be exaggerated nor ascribed wholly to the influence of the land-tax. There is considerable evidence of evasion, of formal rather than real subdivision, and of much legal ingenuity expended in avoiding the appearance while retaining the reality of large-scale landownership. Moreover, other countries which had no land-tax show a similar tendency to closer settlement in this period. The same economic forces were at work in them as those which were operating in New Zealand.

These facts, however, do not detract from the soundness of the New Zealand tax at the time and, under the circumstances, of its imposition. They characterise it as a soundly conceived element in the tax system, admirably adapted to give a further impetus to constructive forces already at work. Its effect has undoubtedly been exaggerated both by its supporters and by its opponents. Its soundness, as subsequent discussions will show, is much more open to question in a time of falling prices and a time, moreover, of heavy income taxation. It shows no signs in New Zealand of supplanting all other forms of taxation, or even becoming the major element in the tax system, still less of leading to nationalisation of the land. These, indeed, were not its objects. It should be regarded as a measure designed to meet existing conditions at a particular time. As such it was successful if somewhat unimportant. It fitted into the economic trend of the day and played a minor part in encouraging closer settlement and breaking up the large landholdings.

THE BATTLE OF TENURES

When John McKenzie took office as Minister of Lands in 1891 the great bulk of the best land of New Zealand was already freehold. Apart, therefore, from the rather mild effects of the graduated tax upon unimproved value and the compulsory repurchase system described below, the battle of tenures which raged so fiercely in New Zealand politics was waged rather over the remains than over the body of the land system. The best land was already freehold, and there was never at any time the prospect of resuming any considerable proportion of it. In essentials the system of freehold based upon the Torrens system of land registration was very little modified.

It is in the land legislation, more than any other feature of the Liberal-Labour programme, that political opportunism and practical expediency is manifest. McKenzie had a practical problem of land-hunger to grapple with. He took vigorous and, on the whole, effective steps towards its solution. When he left office in 1900 the problem was largely solved for the time being, in some degree because of his legislation and still more his vigorous administration; but mainly by the working of normal economic forces. The more revolutionary of his measures were much less vigorously administered after 1900. It might almost be said that the return of prosperity based on rising prices took away the necessity of following his experiments through to a logical and definite conclusion.

The main features of his land legislation were embodied in two Acts, the Lands Act of 1892, and the Lands for Settlement Act of 1894.⁽²⁰⁾ The first was an important consolidating measure which, despite later consolidations, still remains the basis of the land system of New Zealand. Before this Act was passed, the Crown lands were disposed of in the following main ways: By sales for cash; by sales on deferred payment; by a system of perpetual lease, renewable with revaluations every twenty-one years and carrying with it the right of purchase; by various special tenures designed to suit small-holders; by pastoral leases in large areas; and by small grazing-run leases designed for closer settlement of pastoral country. Under these various tenures settlement proceeded steadily throughout the depression of the eighties. As the table below shows very clearly, a sympathetic administrator might use these tenures as Ballance did in the three years 1884-7, to settle large numbers of small-holders on the land. The number of new settlers in 1887 was considerably more than the number settled in any year of the Liberal-Labour regime. This was due, however, to Ballance's vigorous prosecution of his village-settlement schemes, and is not strictly comparable with McKenzie's results.

For the system of deferred payments McKenzie in 1892 substituted a new tenure, known as "occupation with the right of purchase". Under this tenure a settler obtained a licence to occupy the land for a term of twenty-five years at an annual rental of 5 per cent. on the capital value. After ten years'

occupation under settlement conditions he could exercise his option to take up the freehold or a perpetual lease, or to continue until the end of the term. This was clearly a very favourable bargain for the tenant.

As a substitute for Rolleston's system of perpetual leases McKenzie rather reluctantly agreed to a curious and much criticised compromise tenure, known as the "lease-in-perpetuity". This tenure was inserted in his Bill in the committee stage and accepted by him. It gave the tenants a lease for 999 years at 4 per cent. of the capital value, with freedom from revaluation, but subject to graduated land-tax. In his exposition of the New Zealand land system in the Official Year Book of 1894 (21) the permanent head of the Lands Department claimed for this tenure, as against a freehold system, the great advantage of leaving the farmers' capital available for improvements. As a measure to encourage settlement the tenure was defensible, but it was a bad bargain for the State and did not have a long existence or exert a very great influence on New Zealand development. When it was repealed in 1907, less than two and a half million acres had been taken up under it by rather more than five thousand tenants. The total number of Crown tenants was much greater, being swollen by the great number of holdings smaller than the average. Owing to the large areas of the pastoral leaseholds, the area of Crown land also was superficially great; but this does not disprove the fact that the bulk of the most productive and best-situated lands was held in farms of medium size upon freehold tenure. The freehold has always been, and still remains, the most important tenure in New Zealand. The leasehold tenures at their most important period functioned at the extremes of settlement, the great areas of the pastoral leases at one end of the scale and the large numbers of small leaseholds, such as village homesteads, at the other, combining to give an impression of greater economic substance than was there in reality.

The following table shows clearly the increase in the number of settlers upon leasehold tenures which resulted from McKenzie's efforts. The area settled is probably a truer indication in this table than the actual number of settlers, which in the first decade is unduly swollen by the large number of small settlers upon Ballance's village settlements. The figures cannot

be totalled, since some holdings were given up, but the rapid creation of a Crown tenantry has been tabulated officially elsewhere. By the end of the century the number of holdings from the Crown on various forms of tenure ranging from leases to incompleted purchases on the deferred-payment system was over 17,000. By 1919 there were 25,204 such tenants as compared with 45,000 rural freeholders.

NUMBER OF HOLDINGS TAKEN UP UNDER SETTLEMENT CONDITIONS IN NEW ZEALAND FROM 1883 TO 1902 (22)

Year.	Number.	Area.	Average Size.
		Acres.	Acres.
1883	644	90,000	140
1884	841	161,000	190
1885	872	103,000	120
1886	1,009	114,000	113
1887	2,423	287,000	118
1888	1,577	318,000	200
1889	1,636	444,000	270
1890	1,332	348,000	260
1891	1,221	412,000	337
1892	1,372	489,000	356
1893	1,951	507,000	260
1894	1,954	633,000	324
1895	1,573	360,000	228
1896	2,012	335,000	167
1897	1,343	280,000	208
1898	1,265	362,000	286
1899	1,998	357,000	255
1900	1,306	439,000	336
1901	1,371	501,000	365
1902	1,151	379,000	330

This summary table must not be misinterpreted. There is danger in lumping together the various types of holdings and the various qualities of land involved. The only conclusion that can safely be drawn from the last column of the table is that the years in which the greatest number of settlers went on to the land were the years when the average size of holdings was lowered greatly by so many of the settlers taking up small farms. The stimulus given to settlement immediately after the passage of the 1892 Act, and again when the legislation of 1894 became operative in the financial year 1895-6, is most marked.

It is significant also that after this year, the year in which returning prosperity first became manifest, the number of new settlers who chose to use these leasehold tenures rather than buy in the commercial market dropped to something like a normal figure.

This table, supplemented by details showing the advantage taken of each form of tenure, offers conclusive evidence of the attractiveness of McKenzie's tenures to the new settler. The figures are swollen by the results of his repurchase policies, since the land so repurchased was offered mainly upon lease-in-perpetuity and was never in any case sold outright to the small settlers. The first legislation for repurchasing lands was embodied in the Lands for Settlements Act of 1892,⁽²³⁾ but this Act contained no provisions for compulsion and provided only £50,000 annually for repurchasing. The Act of 1894 gave the Government permission to borrow up to £250,000 in any year for this purpose and gave powers of compulsory purchase at prices fixed by a board of civil servants, plus compensation for disturbance.

While McKenzie was in office the provisions of this Act were used vigorously and, on the whole, effectively. The first voluntary purchases under the 1892 Act did not turn out well, but the later purchases under the 1894 Act were economically successful. By the end of the financial year 1900-1 eighty-one estates had been purchased containing 331,128 acres at a cost of £1,798,614. The number of tenants settled upon these estates was 1,789.

It is important to remember that compulsion was very sparingly used indeed. McKenzie himself used the compulsory provisions of his Act only twice in the six years of his administration of it. The reserve of power provided by these compulsory provisions was probably of some importance as a bargaining factor on the Government's side, and as a variety of "eminent domain" in the case of a recalcitrant owner. Broadly speaking, however, it is obvious that the repurchase activities of the Government could not have been unwelcome to the landowners. The Government always had more estates offered to it than it could handle, and as Siegfried has pointed out, the State was a wonderful customer. Moreover, it must be remembered that the State was buying land in a rising market. There is a

different tale to tell of land purchases after the war for the settlement of returned soldiers.

When all these qualifications are allowed for, the fact remains that at a time of acute land-hunger and commercial depression McKenzie's land policies, and still more his vigorous administration of them, broke through an economic deadlock. His programme was consistent and coherent. It was not motivated by doctrinaire devotion to land nationalisation, the single-tax, or any other theoretical conception. From his childhood in the Scottish Highlands he had brought one burning conviction: the right of a farming peasantry to have access to the soil. Closer settlement was his aim, and no statesman was ever more single-minded than he was in pursuing it. The graduated land-tax, the overhaul of the tenurial system, and the use of State powers to purchase and redistribute the land had but the one object in view: closer settlement. The same purpose lay behind the legislative restrictions he imposed on the area which any holder could henceforth obtain from the Crown, and the improvement provisions which he made a *sine qua non* of possession.⁽²⁴⁾ He was the unwearying and unrelenting foe of dummyism in all its forms. It was the genuine working farmer who was the object of his concern. Thousands of successful farmers, who later clamoured for the right to purchase the freehold of their farms, owed their start to the leasehold system. With little or no capital they were enabled to take up land at the very beginning of a period of rising prices and land values. It may be conceded that economic circumstances favoured them and the legislation which gave them their start. It is arguable whether that legislation was as necessary or wise when the economic depression had become a thing of the past. But there can be little doubt that it was the chief factor which broke through the deadlock of land monopoly and over-valuation in the early nineties.

The positive side of the Liberal-Labour land legislation ought not to be forgotten. Events have proved that it is the more permanent and valuable aspect of the experimental programme. Constructive help was offered to the small farmers in the two directions where they most needed it. Advances of capital borrowed cheaply upon the credit of the whole community, and expert guidance and instruction provided by the

Department of Agriculture have established themselves as Governmental functions of almost unchallenged usefulness. It is competent for critics to point out that the repurchase policies involved some cost to the community for the benefit of one class--the small farmers.(25) This, while an argument of some weight in normal times, seems to be quite adequately met, as far as the early nineties are concerned, by the fact that the abnormal situation of land monopoly demanded unusual treatment.

The State loans to settlers and the provision of expert advice have a much stronger case even in normal times. Their justification lies in the fact that the whole community benefits by the economic gains accruing from lowering the cost and increasing the volume of rural production. Moreover, the case is equally clear for similar services to other forms of production whenever and wherever it can be shown that private enterprise has failed to provide adequate and cheap organisation of essential services.

This was clearly the position in regard to loans upon rural lands, and to this day it remains a fact that the loaning of long-term credit upon real estate security is a badly organised and expensive part of the financial system. The market has not been systematised in such a way as to bring large numbers of borrowers and lenders into such competition as would stabilise and lower costs. The farmer gets his credit in almost a haphazard fashion from private lenders, whose costs are necessarily high. When Sir Joseph Ward carried the Advances to Settlers Act in 1894, and the State began to use the credit of the whole community to float cheap loans abroad and lend the proceeds upon approved security to small farmers, it was entering an unorganised economic field. If only because the principle of definitely calculated repayment or amortisation was introduced, the Advances to Settlers legislation would have justified itself. That it provided cheaper credit is proved by the fact that over 60 per cent. of the loans applied for in the early years were for the purpose of paying off obligations contracted at a higher rate of interest.

The great qualification that has to be made in respect of this legislation concerns its limitations. It has been conservatively administered. Loans are made only upon first mortgage

with ample margins of security. As amortisation proceeds, these margins are steadily widened. There has, therefore, been no direct loss to the State, but instead, the rates of interest have been fixed to return a slight margin of profit. The system has been of undoubted assistance to farmers of substantial resources, but it has left unsolved all the really difficult problems of rural credit. The small farmer who needs a large amount of credit in relation to the value of his holding must raise the last difficult amounts by second, third, or even later mortgages from private sources. The problems that so arise, together with the whole question of speculation in land values, are more conveniently treated in a later chapter.

The establishment of a Department of Agriculture, as distinct from the department charged with the control of Crown lands, was the work of McKenzie in 1892.(26) The work of this department is primarily educational; but it is charged, also, with certain duties of inspection and grading of produce and, especially in recent years, has paid increasing attention to scientific research. By field instructors who visit the farms and get into personal touch with the farmers, by demonstration model farms, by laboratory tests, by the promotion of discussions, exhibitions, correspondence—in innumerable ways the services of the experts of the department, and even more important, the pooled experience of the farmers themselves, is made generally available. The rapid and sound development of rural co-operative organisation, especially in the dairying industry, owes a great deal to the practical advice of departmental experts.

It is fair to say that by the end of the nineteenth century the power of land monopoly had been broken in New Zealand. State intervention in the various ways described in this section had created a numerous State tenantry and had provided not only the leaseholders, but the small freeholders also, with the necessary assistance to get a start. Rising prices and prosperity did the rest. It was not long before these State tenants turned to rend the party which first gave them their start; but whatever the merits of the leasehold and freehold controversy at a later date, it is at least clear that the leasehold system and its related State activities performed a useful service to the Dominion at a time when it was badly needed.

THE EVOLUTION OF A LABOUR CODE

The Liberal-Labour Party came into power pledged also to improve labour conditions. The election of 1890 was held in the midst of a period of unemployment and social distress, of trade union activity, strikes, and agitation. The Liberal candidates capitalised the sweating revelations, openly courted the trade union vote, supported the trade unionists who stood for election, and generally identified themselves completely with labour aspirations. It is not surprising, therefore, to discover in the next decade the emergence of a code of labour legislation probably more complete and effective than exists in any other country.(27)

It would, however, be wrong to credit the labour leaders themselves with the detail of this programme. It is quite clear that while their general sympathy and support of the Government's policy was essential to success, the actual framing of the legislative measures was due to two singularly able men, the Hon. W. Pember Reeves, first Minister of Labour, and the first secretary of the newly created Labour Department, Mr. Edward Tregear. Reeves was elected to the House in 1887. He was, therefore, comparatively inexperienced when he took office as Minister of Education in 1890 and shortly afterwards took charge of the Labour Department. Both he and his departmental head, however, were keen students of social problems and their collaboration was very fruitful. Without his Gaelic temper and stubborn forcefulness Reeves yet occupied in labour matters a position almost comparable with McKenzie's in land legislation. His interests were wider, and he contributed more to general policy. In debate his polished irony was subtler but not less effective than McKenzie's fire. Beneath his urbanity, moreover, was a determination as fixed as McKenzie's own. Within five years he had placed upon the statute-books a complete code of labour legislation, including the much discussed Industrial Conciliation and Arbitration Act. In doing so he had not accepted a single hostile amendment of major importance. The careful drafting and comprehensive planning of his measures has brought singular success. In all essentials they form New Zealand's labour code to-day. Consolidation and extension have taken place, but the only major addition of

recent years has been the substitution of workmen's compensation for employers' liability. The effective legislative planning and administrative organisation that built up this labour code was done so quietly and effectively, and has been so much overshadowed by the later developments of the arbitration system, that it has not received the attention it deserves.

A mere list of the measures passed is impressive. They are summarised in successive issues of the official year-books, and, beginning with a modest reprint in 1894, in successive editions of *The Labour Laws of New Zealand*, which has now grown into a substantial volume. (28)

The first, and in many ways the most important, Act is the Factories Act, passed in 1891 and amended in 1892, 1894, and 1896, before codification in 1907 and again in 1908 and 1921-2. The chief interest of this measure lies in its wide definitions. A factory includes every workshop employing two, and in some cases one, hand. The minimum age of employment is fixed at fourteen years; holidays, hours, overtime, the working week, factory conditions, are all carefully prescribed. Effective sections regulate the system of giving out work and so prevent any possibility of a recurrence of sweating. The whole Act depends upon vigilant administration, and therefore inspectors with wide powers are provided for, so that the Act has become thoroughly effective.

The Shops and Shop Assistants Act of 1892 is the foundation of a similar series of precautions regarding the work of women and young people in shops and offices. It was also consolidated in 1908 and 1921-2.

The wages of workmen are protected by several Acts which make effective the early legislation described in the previous chapter. The Truck Act of 1891, Workmen's Wages Act, 1893, Contractors and Workmen's Liens Act, 1892, Wages Attachment Act, 1895, Threshing-Machine Owners' Liens Act, 1895, and Wages Protection Act, 1899, have all been consolidated by the Wages Protection and Contractors' Liens Act of 1908. Reinforced by amended sections in the Bankruptcy Act, Companies Act, and Public Contracts and Local Bodies Contractors Act, they give as complete protection to the wage-earner as may be desired.

The conditions of employment in various occupations

presenting special problems have given rise to such measures as the various Coal Mines Acts, and sections in the general Mining Act, the Servants' Registry Offices Acts, the Shipping and Seamen Acts, the Kauri Gum Industry Act, the Shearers and Agricultural Labourers' Accommodation Act, Inspection of Machinery Act, Scaffolding Inspection Act, and Licensing Act.

The inclusion among the labour laws of the Accident Insurance Companies Act, and sections of the Judicature Act, is evidence of the importance attached to social welfare. In the same way, the Workers' Compensation Act, 1908 (consolidated 1922 and 1926), and the Death by Accident Compensation Act, 1908, supersede the Acts designed to make the employer liable for injuries due to negligence or default. Accidents are now recognised as a legitimate charge upon industry, to be safeguarded like other risks by means of insurance.

The legal status and privileges of trade unions are assured by registration under the Industrial Conciliation and Arbitration Act, but in addition, the Trade Union Act of 1878 was amended in 1896 and consolidated in 1908. The Crimes Act, 1908, brings together the amendments to the Conspiracy Law, 1894, and to the Criminal Code Act, 1893, by which trade unionists are protected from conspiracy charges and the responsibilities of masters towards their apprentices are defined.

Sections in the Banking Act define holidays, and these are reinforced by the Labour Department and Labour Day Act and the Legislature Act, creating additional statutory holidays, to which the Arbitration Court may add by its awards. Finally there are included the Workers' Dwelling Act and sections of the Lands for Settlements Act, giving power to purchase land for workers' dwellings.

The creation of a well-organised department whose duty it is to administer these laws and to report on labour conditions took place earlier in New Zealand than in other lands. There is some complaint from time to time that the ever-increasing complexity of regulations is harassing to industry; but there is little of the bitter and almost incredulous criticism with which such regulation was at first greeted. Generally speaking, the labour laws and their regulations have been administered with

common sense. There can be no reasonable doubt that they are adequate to safeguard the high standards of working conditions demanded in New Zealand.

The well-known Industrial Conciliation and Arbitration Act is discussed in a later chapter. The Immigration Restriction Acts, which begin at an early period in New Zealand history, are more important in another connection also; but they should be mentioned at this point as owing their origin mainly to labour agitation in defence of the accepted standard of living.

THE EXTENSION OF STATE ENTERPRISE

It has been argued that the chief feature of the experiments in land and labour legislation was a readiness to use the machinery of Government for economic purposes that are usually left to the normal working of economic forces. Such readiness is natural in new countries where there are neither traditions of *laissez-faire* nor vested interests to combat and where, moreover, the functions of the State have already been stretched to include the provision of public utilities and services which in older lands spring from private initiative. The experimental land and labour laws were naturally supplemented by, and in turn encouraged, an extension of State enterprise in trading and even production. There was some tendency among Radical groups to regard this enlargement of State functions as a good thing to be desired for itself, if only as a necessary stage in the progress towards Socialism. This, however, is a conception that has never really commanded the effective support of the New Zealand people. The very freedom from theoretical preconceptions which makes it easy for them to acquiesce in measures of State Socialism safeguards them also from driving these experiments to the logical conclusion.

There is more general support of the idea of conservation of common resources, especially when monopoly exploitation is threatened. In more recent years, for example, the Government monopoly of water-power and ambitious programmes of hydro-electric development have commanded general approval for social rather than economic reasons. The several strands in this conception will be discussed in a later chapter. One of the most important for our purpose at this point is the theory that

State enterprises are undertaken more for what an economist would call the "social net product" than for profit in the ordinary commercial sense of the term. The repurchase policies are judged by their success in promoting settlement rather than as a commercial venture in land-broking; the railways and other public services are constantly under pressure to provide non-economical services; the insurance departments were justified as breaking through a monopoly organisation; the State coal-mines shared a similar justification and were also defended as a necessary subsidiary enterprise of the railway system.

Much, therefore, depends upon the character of the administration of these enterprises. When a Government believes in the wisdom and necessity of State Socialism as the Liberal-Labour Government did, the railways will be used to promote settlement, freight rates and fares will be fixed so as to cater for the small farmers and for the workers. This administration of the railway and similar services, with a definitely rural bias, sharply differentiates the New Zealand enterprises from those of the Australian States. There is no network of lines leading to dominating centres; but rather construction has been directed and freights fixed to cater for the smaller towns whose growth has been such a marked feature of New Zealand in the twentieth century.(29)

The extensions of State trading enterprise, which were authorised by the Liberal-Labour Government, were not revolutionary. Reeves has summed the matter up neatly.

There was [he writes] nothing novel in the notion of extending the functions of the State in the hope of benefiting the community or the less fortunate classes of it. Already in 1890 the State was the largest landowner and receiver of rents, and the largest employer of labour. It owned nearly all the railways and all the telegraphs, and was establishing a State system of telephones. It entirely controlled and supported the hospitals and lunatic asylums, which it managed humanely and well. It also, by means of local boards and institutions, controlled the whole charitable aid of the country—a system of outdoor relief more needed then than now. It was the largest trustee, managed the largest life insurance business, and educated more than nine-tenths of the children. Nearly all the sales and leasing of land went through its Land Transfer Offices.

It will thus be seen that the large number of interesting experiments sanctioned by the New Zealand Parliament after 1890, though they involved new departures, involved no startling changes of principles. The constitution

was democratic; it was simply made more democratic. The functions of the State were wide; they were made yet wider. The uncommon feature of the eight years 1890-8 was not so much the nature as the number and degree of the changes effected and the trials made by the Liberal-Labour fusion.

It might be added that nothing was attempted by the Liberal-Labour Government that could not be paralleled in the municipal Socialism of England and Continental countries. It was in the use of the State rather than municipal bodies that the New Zealand experiments were novel, but the New Zealand Parliament has less than twenty per cent. of the number of members of the London County Council, and served in 1890 a constituency of even smaller proportion.

Some of the problems involved in the conduct of economic enterprises by the State will be considered in a later chapter. In the meantime it is essential again to emphasise the importance of administrative policy. Two outstanding illustrations occur in the experimental period.

The first is to be found in the Government's attitude towards the banking legislation of 1895, to be later described. The bank came to the Government in its extremity. It accepted and even sought legislation which made the Government a large shareholder and placed in the hands of Government nominees the balance of power on the bank directorate. There was, and is, no obstacle in the way of using that power to make the bank into a central bank of issue or even into a State bank in the more Radical sense of the term. A really Radical Government might have used its power to dictate interest rates, exchange charges, and the direction of loan policies. The ever-present demand for rural credit and for State borrowings might have been met by a deflection of commercial banking policy. Instead of these developments we find that even the Liberal-Labour Government, and still more their successors, have been content to see the bank follow commercial policy, to act in co-operation with and even as the leader of the close association of banks. With the return of prosperity has come an increasing volume of profits which have largely been capitalised by transactions for which legislative permission has readily been granted. The Government has viewed itself as a fortunate shareholder, and has taken its attitude with other shareholders

rather than with the theorists who have contended that accumulated profits justified reductions in the margins of various charges for the benefit of customers. Whatever the merits or demerits of such an attitude it is at least clear that successive Governments have been in possession of unusual power over the most important financial institution of the country, but have preferred not to use that power in any revolutionary way.

The second illustration shows the opportunism of the experimentalists in another light. As soon as the Government was definitely assured of power by the election of 1893 it embarked vigorously upon direct prosecution of public works construction and direct control of the railways. Seddon himself was Minister for Public Works before he became Prime Minister, and to his vigour is largely due the co-operative contracting system of constructing public works.⁽³⁰⁾ New Zealand is a difficult engineering country, and the Government's experience with private contractors had not been altogether happy. The system by which Government experts plan the construction, provide materials and plant, and then let the actual labour of construction by contract to gangs of workmen, has proved profitable and efficient. With workmen of the intelligence and integrity common in New Zealand, such a system calls forth extraordinarily good results. With capable guidance from skilled engineers in the public service there can be no reasonable doubt that it has greatly cheapened the cost of constructing essential public works, while at the same time giving employment at better wages under much more favourable and more dignified conditions. There are opportunities doubtless for petty graft, but the level of administrative honesty is high in New Zealand, and there have never been any really serious charges of corrupt practices. Moreover, the letting of large contracts, and of subcontracts thereto, opens much wider avenues for corrupt practices if such were sought.

The Liberal-Labour Government not only cut out the contracting middleman, it also terminated the appointment of the Railway Commission in 1894 and took over the contract of the Midland Railway Company in the following year. The Midland contract was a legacy from the borrowing boom of the eighties. The line was begun in 1886 and only finished in

1924, when a great electrified tunnel through the Southern Alps was opened for traffic.(31) The termination of its contract was regarded by the directors as harsh and unjust; but the position into which the contract had drifted was almost impossible, and it was quite in accord with the Government's policy to take over the construction of this line instead of allowing it to drift on under private ownership.

There was less general approval of the abolition of the independent railway commission that had been set up in 1887. Awkward problems of political patronage, log-rolling, and a Civil Service vote are involved in direct Governmental administration. Charges of petty corruption were freely bandied about and gave a sinister background of hinted meaning and innuendo to the term "Seddonism", coined to express the Government's policy. No evidence has ever been forthcoming, however, despite a Royal Commission on the police system, and similar incidents. The most truth that can be found in such gossip is that there was some tendency among certain classes to lean upon the Government for jobs and to look upon the local Members of Parliament as employment agents. This is rather curiously illustrated by a printed card of test questions in English, supplied officially to inspectors of primary schools in 1906, one of the exercises set being: "Write a letter to the Member of Parliament for your district, applying for a position on the railways."

This and similar problems connected with the conduct of State enterprises will be discussed later. The point to be emphasised here is that the principal extensions of State Socialism made in this period were in the administrative policy of existing State enterprises. There were no large attempts at nationalisation of industry. An accident branch was added to the Government Life Insurance Department in 1899, State coal-mines were developed, largely as an adjunct to the railway system, in 1901, and a State Fire Insurance Office was begun in 1903. These were the only new measures of State trading beyond those already discussed.

THE HUMANITARIAN TREND

With the exception of one American territory, New Zealand was the first country to give votes to women.(32) From the

passing of the Education Act, 1877, women had participated in the elections for school committees at a time when they were much more important bodies than the centralising tendencies of later Governments allowed them to be. It is significant that their first use of the suffrage and the first participation in administration should have been in the educational field. From the middle eighties also, women ratepayers exercised the municipal franchise. When in 1893 they were granted full suffrage rights, there was much speculation as to the results. Seddon thought that Parliament had leaped into "an abyss of unknown depth". Stout very acutely prophesied that the woman's vote would be thrown on the side of State Socialism. There were dire prophecies of "domestic discord, children forgotten, husbands uncared for, dress and appearance neglected, divided skirts, smoking cigarettes, scorn of marriage, a general unsexing of women".(33) On the other hand, the immediate carrying of national prohibition was only one of many high hopes that was doomed to disappointment.

There is some tendency to disparage altogether the results of woman's suffrage, to regard the face of politics as having been completely unchanged.(34) On broad party questions and strictly economic and political issues, this view is fairly near the truth. But the addition to the electorate of the adult women created a new and powerful element of public opinion, to which politicians soon began to give heed. Even Reeves, whose writings have tended to minimise the importance of the women's vote, has written in recognition of this fact.(35)

There were some [he admits] who connected the appearance of women in the political arena with the passing of an Infants' Life Protection Act, the raising of the age of consent, the admission of women to the Bar, the appointment of female inspectors to lunatic asylums, factories, and other institutions, improvements in the laws dealing with adoption of children and industrial schools, a severe law against the keepers of houses of ill-fame, and with the Liquor laws and the Prohibitionist movement, which is so prominent a feature of New Zealand public life.

It is difficult at first glance to assess the results of the agitations of women's societies, precisely because they are interested in and satisfied with what men are apt to regard as rather petty and minor details of legal and social reform. Rarely do they press for large measures except in the vaguest propaganda ; but

they do exercise continuous and well-organised pressure for specific reforms, the cumulative effect of which is very considerable. The full results of this pressure did not become obvious for some time and are best treated in a later chapter. (36) It should, however, be apparent that the new electorate was predisposed to humanitarian measures. When Seddon took the plunge and suddenly introduced his Old Age Pensions Bill, just before the election of 1896, Liberalism was getting a little shaky. The main programme of land and labour legislation was already on the statute-books. Seddon, one of the greatest tacticians that ever ruled a Parliament and an electorate, correctly interpreted the trend of public sentiment. His "crowning achievement", the passing of the Old Age Pensions Act of 1898, marked the end of the first era of State Socialism and ushered in the humanitarian trend which has subsequently proved to be the most characteristic expression of New Zealand public opinion.

THE BREAKING OF THE LIBERAL-LABOUR ALLIANCE

The legislation of the early nineties forms a coherent whole, evolved from the necessities of the economic depression. It was a constructive, carefully thought out programme, in which several lines of action were interdependent. Reform of the fiscal system, the taxation of land values, higher protective duties, the conservation and repurchase of Crown lands, State loans to small farmers, protective labour legislation, and judicial fixation of wages, were all part of a consistent programme which also included an increased degree of direct Governmental activity in the construction of public works and in humanitarian activities. The whole programme must be viewed as an early illustration of an enfranchised democracy using political power to attempt economic reconstruction. As long as the composite majority of small farmers and town workers found a common focus of interest and point of attack in the monopoly power of the great landowners, the programme held together. As soon as a shift of economic circumstances and the first successful legislation broke the landowners' power, discordant elements were revealed. Democratic use of the franchise for economic ends results easily in using the powers of the State for sectional advantage. When this means, as it did

in New Zealand in the early nineties, the advantage of an overwhelming majority of the population as against a comparatively few, the results may well be striking. As soon as returning prosperity divides the majority into factions with variant interests, the use of the machinery of the State to achieve sectional advantages becomes a more disputable policy. This has been very clear in New Zealand in the twentieth century as the interests and policies of the small farmers diverged from those of the town workers. The natural result was to slow up the pace of experiment, to shift the emphasis of administrative policies, and to cause a significant revision of legislation. In the sequel it will be seen that the State experiments which have proved themselves in fullest measure are those humanitarian policies which are broadly based upon popular approval transcending sectional boundaries.

In other words, the economic struggle in the nineties resulted from an obviously horizontal class division. It was largely a contest between the wealthy landowners and the less fortunate small farmers and town workers. In that struggle the majority won. After their victory, vertical class divisions appeared. There are those who would still maintain that the main class divisions are horizontal, that the interests of town workers and small farmers are broadly allied against employers. But the main cleavages in New Zealand politics since the beginning of the century have been vertical, and the small farmers remain stubbornly convinced that they have now little to gain and much to lose from alliance with the Labour Party.

This fact is the key to an understanding of the revision of the experiments in State Socialism. It arises from and must be studied in connection with the economic development which forms the theme of the next chapter.

CHAPTER VII

AN ECONOMIC TRANSFORMATION

AN ECONOMIC REVOLUTION

THE political innovations summarised in the preceding chapter have received a great deal of attention. They have even been described as a political revolution. Early accounts of them ran to such chapter headings as "The Land for the People", "A Country without Strikes", "And then We Smashed the Money Ring". The supporting text might contain qualifying paragraphs, and even explicit statements of the limitations of the experimental laws; but the general impression, exaggerating both their scope and their influence, was apt to remain. The reputation of the Liberal-Labour statesmen has suffered a good deal by reason of such optimistic estimates of early progress. The more sober (and more accurate) conception of their legislation, as consisting of an effective set of practical measures designed to break through a particular situation of economic difficulty, places them in a more reasonable and more favourable light.

If the politico-economic experiments of New Zealand have been somewhat exaggerated and overemphasised, its recent economic development has not yet received the attention it deserves. The conquest of the soil has been a remarkable achievement. The best energies and most characteristic qualities of the colonists have found their outlet in the agricultural rather than the political sphere. Particularly after the favourable turn of prices in 1895 economic progress was rapid and solid.

It was almost as if the colony, after a troubled childhood, followed by a period of rather wild and unregulated growth and expansion of interests, had passed through a sobering period of self-examination and mistrust, and had only gradually emerged into the broader and more stable possibilities of adult life. Like an adolescent youth, New Zealand in the boom period of the seventies attempted too much, and tried out its powers prematurely in many directions. After this period of overconfidence the colony was gradually forced to realise and then to put forth strenuous efforts to overcome its deficiencies and limitations. It was in the salutary period of depression in

the eighties that economic organisation broadened and became more efficient. Adversity served at least to deflate the over-optimism and inefficiency of the earlier boom. It was in the eighties and early nineties, therefore, that the foundations were laid of the rapid economic progress which brought prosperity in the twentieth century.

While these facts are generally known, the precise nature and extent of the economic transformation of New Zealand in the last forty years has not been fully worked out. It is no exaggeration to say that the New Zealand of 1928 is a vastly different country in geographical distribution, economic occupation, and political creed from the New Zealand of 1888. To discuss modern economic and political problems without fully recognising this change would be equivalent to considering the economic and political problems of the United States as if there had never been the great westward expansion, the influx of immigration, and the recent revolution in mechanical production.

The last forty years in New Zealand have seen a marked drift of population to the north island, a far-reaching shift of rural occupations and reorganisation of agricultural methods, and, more important than either, a markedly favourable widening of the external market, together with a rising trend in the price-level which has brought cumulative gains to the primary producers.

In the census of 1891 more than 55 per cent. of the population was shown to be living in the south island.⁽¹⁾ Dunedin and Christchurch were approximately equal in size to Auckland and considerably larger than Wellington. The census of 1926 showed only 38 per cent. of the population in the south, and Auckland practically as large as Dunedin and Christchurch put together, while Wellington from the fourth had become the second city in the Dominion. This remarkable shift of population from south to north has proceeded, and is still proceeding, very rapidly and cumulatively. It denotes the lifting of the geographical barrier to settlement described in earlier chapters.

Moreover, it is definitely connected with a fundamental change in the relative importance of the main industries of the country. In 1891 the exports of dairy produce were rather

less than $2\frac{1}{2}$ per cent. of the total; in 1926, despite a great increase in other exports, they accounted for over 32 per cent. In these thirty-five years the annual export of butter jumped from less than 2,000 to almost 68,000 tons, while cheese exports increased from 2,000 to 75,000 tons. The significance of these figures is heightened when it is remembered that there was a not less significant and parallel development in the sheep-farming industry. The quantity of frozen meat exported was trebled between 1891 and 1926, while the export of by-products increased in much greater degree. These changes reflected a revolution in farming practice that affected the size of holdings, the tenurial controversy, and went down into breeding, cultivation, and other forms of qualitative as well as quantitative improvements.

Underlying and reinforcing the whole development was the favourable trend in the price-level from 1895 onwards. The index of wholesale prices stood in 1891 at 99, and reached its lowest point (92) in 1895. In 1926 it stood at 162, having in the meantime (1920) gone as high as 218. The index-number of export prices shows somewhat different ranges and trends, the importance of which will be discussed later in this chapter. The most recent (post-war) range of the export-price index is narrower than the fluctuations of the general price-level for reasons of some importance in the economic life of New Zealand. Broadly interpreted, this variation of the indices discloses the attempt to build up in New Zealand a sheltered and protected standard of living.

This attempt, and the related growth of secondary manufactures and commercial and professional services, was, however, made possible only by the increased prosperity of the primary industries. Increasing production and the switch to the more profitable small- and medium-scale dairy and mixed farming were helped along greatly by rising prices. Moreover, in the early years of the twentieth century, and in fact right up to the artificial post-war boom, the prices of New Zealand exports rose more than the average. There is a rhythmical fluctuation in the export index-number, but on the average it keeps above the index of general prices.

In other words, New Zealand was producing from virgin land continually increasing quantities of products, which

found a market that not only shared in the general rise of the price-level, but gained a further rise from the fact that animal products were in relatively short supply in the world's markets. The conjuncture of these favourable circumstances brought such rapid progress and such widely diffused prosperity that it might well be called an economic revolution. An economist may perhaps be pardoned for considering such factors as far more influential for economic welfare than any political programme, however well contrived to fit into and work with the economic trend of the times. The chief merit of the Liberal-Labour legislation (a very great merit indeed) is that it cleared the way for, and gave impetus to, the economic forces that were transforming New Zealand in this period. It worked with, not against, the current. At a later stage it spread itself and floated on the current, somewhat checking the rate of flow; but this is a natural development always to be expected in a world where man has "become parasitic upon his environment", and nowhere more markedly so than in the political sphere.

THE DRIFT TO THE NORTH

The "drift of population to the north" is probably the most important change that has taken place in New Zealand during the last half-century. Earlier chapters of this book have described the first efforts at settlement in the north island. The small Wakefield colonies in Wellington, Taranaki, and Wanganui, and the official settlement at Auckland increased in the first forty years but slowly in comparison with the progress made in the south island provinces. Wherever access to the land was made possible, particularly in the district behind Napier, which formed the Hawke's Bay Province and the valley of the Wairarapa, there was an extension of settlement. It will be noticed that these extensions were on the drier and therefore more open east side of the north island. In these districts the sheep-raising industry was even more dominant, and the aggregation of land in large areas at least as great as in the Provinces of Otago, Canterbury, Marlborough, and Nelson, in the south island.

The wetter, richer lands of the north island, notably the Taranaki and Waikato Plains and the hinterlands of Wanganui,

Wairarapa, and Wellington, were in the possession of powerful Maori tribes, were heavily forested, and presented great obstacles to communication, being separated from the ports by difficult mountain regions. What first-class land still awaits opening up for closer settlement in the north island is subject to the same hindrances to settlement at the present time.

The census of 1881 was the first to disclose any weakening of the south island dominance, and this date gives us the clue to the causes of the northward drift. Settlement of the Maori troubles and extensive land purchases after 1873, the end of the first phase of the borrowing boom, which was mainly a south island affair, and, more important than either, the first beginnings of the widening basis of rural industry, are the developments to be noted. It is significant that the first dairy factory was begun in the Taranaki Province in the late sixties.

The drift was at first a very slow and hardly perceptible change, though its pace increased rapidly. It was twenty years before the census of 1901 showed for the first time in forty years a slight preponderance of population in the north island. In the twentieth century the movement was rapidly accelerated, until in the last census (1926) more than sixty per cent. of the people lived in the north island, and the Auckland Province alone accounted for more than half of these.

While most attention has to be paid to the south island in the early stages of economic development, the great transformation of the last forty years is mainly in the north island. Moreover, in this geographical shift, New Zealand has returned to what the first long-visioned pioneers saw to be the true centre of economic development. It must be emphasised again that the bottling up of the people in the south island provinces during the boom and consequent depression of the seventies and eighties resulted in an economic situation and in economic policies which are not truly characteristic of the genius of the colonists. The removal of the barriers to settlement, which resulted in the population moving northward, restored the economic balance, and gave expression once again to the normal processes of economic development. Without in any way minimising or discrediting the effect of what might almost be regarded as a series of legislative "operations" in the nineties, it is apparent that the physiological processes of normal growth

represented in the opening up of the north island were vastly more important than the "pathological" problems which the Liberal-Labour legislation was designed to cut through.

The settlement of native difficulties after the close of the wars in 1872, and the healing work of Sir Donald McLean in the years immediately following, have already been discussed, and will not be further treated here. Between 1873 and 1892 large areas of land passed from native ownership, mostly in the north island. After the legislation individualising Maori titles and allowing free sale by the natives, there remained no real check to settlement beyond the fact that large land-owners had great advantages in buying from the natives.

While such sales facilitated the growth of the sheep-raising industry, it was not until a definite attempt was made to promote public works opening up the north island back-country that closer settlement became possible. Such public works, again, depended upon the demand of pioneer settlers, who were lured by the possibilities of the new type of farming made profitable by refrigeration to face the hardships and isolation involved in taking up bush farms. In the last analysis, therefore, the present prosperity of New Zealand rests upon the courage and endurance of the men, and still more the women, who in the nineties left the more settled and comfortable south island provinces to take up sections of virgin bush in the north. A New Zealand Horace Greeley would have given the slogan, "Go north, young man, go north!" to any ambitious young farmer or tradesman or professional man who sought his advice at this time. Going north involved many inconveniences. The men and women on the land had first to turn their cattle into the bush (which in New Zealand means dense forest thick with undergrowth), and as opportunity offered, fell the timber, scatter grass-seed between the blackened stumps, run sheep on the first rough crops which sprang readily from the virgin soil, enriched as it was with potash from the burning of the bush, and gradually clear and cultivate the land. The labour entailed was paralleled only by the isolation, the remoteness from schools and hospitals, to say nothing of entertainment, and by the primitive and even harsh conditions of housing. This was as truly a pioneer period, with hardships as real and rewards as great as those which

attended the first settlement of the colony a half-century earlier. It was in fact the logical completion of that earlier period of settlement so rudely interrupted by the Maori wars.

The change in farming technique consequent upon the development of dairying production and the growing importance of the fat-lamb market is discussed in the following section. While this revolution in the farming industry was general throughout New Zealand, except on the back-country sheep-runs, it was mainly in the north island that its full effects were seen. The agricultural statistics of 1894 were already beginning to show the trend.(2) The two southern provinces Canterbury and Otago (including Southland) then, as now, virtually monopolised the production of grain and pulse crops, the area devoted to these crops being much greater at that time. The same provinces were much more intensively farmed, the area in root crops being far greater in each of them than in all the north island provinces put together. In the area of sown grasses after the land had been broken up and cultivated, these provinces were equally far in the lead; but in the extent of surface-sown land not previously ploughed, the north island provinces gave evidence of the development that was later to be expected. There were 3,782,000 acres roughly cultivated in this way as against 892,000 acres in the south island. These figures leave no room for doubt as to where the new land for settlement was being taken up.

There were naturally somewhat definite stages in this development. The most accessible land was used first. Up to the completion of the north island main trunk line in 1908, probably the largest development occurred in the Wellington Province, which had been opened up on the Wairarapa side of the main range by the Government line to Napier, and on the coastal side by the private Wellington and Manawatu line, continued by the Government line to Wanganui and New Plymouth. The Manawatu line was completed in 1886 and incorporated in the main trunk system in 1908. Before this railway development was completed, the new settlement flowed mainly into those parts of the Wellington and Taranaki Provinces around Palmerston North, Wanganui, and New Plymouth. It is only in the last twenty years that the Auckland Province has really got into its stride, and progress