

Papers of Hugh Dalton:
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**(Typescript Diary of visit to
New Zealand, with letters to
Ruth Dalton and memoranda by
Hugh Dalton)**

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NEW ZEALAND

I spent a fortnight in New Zealand, and visited the four principal cities of Wellington, Auckland, Christchurch and Dunedin, as well as the Thermal Region in the North Island and the Southern Alps and Lake District, in the South Island.

At Wellington, the capital, I met most of the Ministers in the Labour Government, and was informed by them individually regarding the activities of their Departments, both in administration and new legislation. I met a number of other Labour M.P.s and attended and addressed a meeting of the Parliamentary Labour Party. I had a talk with Mr David Wilson, Secretary of the Labour Party, a conference with some of the leading representatives of the Trade Union Movement, and interviews with Mr Lefeaux, the Governor of the Reserve Bank, and with the Manager of the Wellington Municipal Milk Supply, which is regarded by many experts as being the best of its kind in the world. In Wellington, also, I met a group of the younger officials attached to Ministers, and some of the Government nominees on the Reserve Bank and on the Bank of New Zealand, and visited a new State House scheme and a model Maternity Home. I also made contact with Labour representatives at Auckland, Christchurch, in the Thermal Region and Hokitika on the West coast of the South Island. I brought away a large quantity of official reports and political literature, and arranged for an improved scheme of interchange of documents and information between the British and New Zealand Labour Parties.

Compared with the Australians, the New Zealanders are a quiet and unemphatic people, - some say they have grown to be like their cows- more Scots and less Irish in their racial origins, more old world British and less conscious of new nationhood, more inevitably agricultural and with less industrial possibilities, and a smaller internal market; more dependent, therefore, on external trade and more remote from any close approach to future economic sufficiency.

The New Zealand Labour Party is younger than the Australian. It was formed in 1900, the same year as ours, and first put forward Parliamentary candidates, all of whom were defeated, in 1905, when already the first Australian Federal Labour Government had held office. Not till 1935 did Labour come to office in New Zealand, but then it came with full power, holding 55 seats out of 80 in the House of Representatives. It has suffered none of the humiliations or disillusiones of Minority Government. None of its leaders have even gone over to the enemy. The present group of leaders have grown up with the Party. They seem like a band of brothers. They live simply, with no outward signs of egoism. Since 1875, when the ten Provincial Councils were abolished, New Zealand has had a unitary constitution, free from the Federal complexities and split sovereignties of Australia. The New Zealand Parliament has unlimited ~~range~~^{authority} over the whole range of economic and social policy. The popularly elected House of Representatives is, in practice, unimpeded by the Second Chamber,

the Legislative Council, whose members are appointed by the Government, without limit of number, each for a term of seven years. If the Council were to show obstructive tendencies, an adverse majority could be immediately swamped by new appointments, and members showing hostility to the Government could be dispensed with when their seven years' term ran out. The present Government has had no trouble with the Council up to date.

In the nineties of last century, under a Liberal-Labour Government, led by Seddon and greatly influenced by Pember Reeves, New Zealand won an international reputation for social pioneering. She led the world in introducing not only adult male suffrage, with no plural voting, but women's suffrage. She was the first to institute old age pensions, on a non-contributory basis. She adopted compulsory Industrial Arbitration even before Australia, and it is interesting, and at first sight surprising, to observe that, in New Zealand, as in Australia, it is the parties of the Left which have consistently supported this system and sought to strengthen and extend it, and the parties of the Right which have sought to weaken, and even to destroy it. In this same period New Zealand broke new ground with a graduated land tax, coupled with power of compulsory purchase and valuation according to the famous formula of "tax or buy". A little later, it was again New Zealand which was first in the field with widows' pensions, and later again, with family allowances paid from general revenue, though this last development is still in a very rudimentary stage.

The Railway System was, from the start, built and owned by the State and ambitious programmes of public works opening up and developing the national resources of the country were a prominent feature of public policy. The State, moreover, was early in the field in New Zealand owning coal mines, and running Life and Fire Insurance and a Public Trustee's Office, though in none of these activities was there a State monopoly. And, before the creation of the Reserve Bank, the State had a substantial control over the most important Bank in the country, the Bank of New Zealand, holding a large block of shares and appointing four out of the six Directors. All this was well-accepted and familiar long before Labour won the 1935 election.

The record of the present Government, in broad outline, is well known. The Labour Party had carefully prepared its plans in opposition - an indispensable condition of success in office - and it put through its legislative programme at full speed. The Reserve Bank was taken over, as was the State Advances Corporation; the status of the Directors was changed to that of Government nominees; private shareholders were eliminated, but received full compensation based on market values. Public ownership and control was instituted, but there was no plausible private grievance. Nor, it is instructive to observe, was there any financial crisis. Guaranteed prices of dairy produce, with State ownership and rationalised marketing of this important branch of exports. A forty hour, and five day, week, except where the Arbitration Court

is satisfied that this is impracticable. Improved pensions and unemployment pay and a general restoration of the cuts made by the previous Government. These are the outstanding achievements of the first Parliamentary session.

But much more than this has been accomplished. For agricultural workers, a minimum wage of 42/6 a week for workers over 21, plus either board and lodging or an additional 17/6 a week, bringing the total up to £3 a week. Since a 40 hour, five day, week is not practicable on the land, agricultural workers who have a weekly half holiday are entitled to receive a fortnight's holiday with pay each year; if they have no weekly half holiday they are entitled to four weeks holiday with pay annually.

By means of a vigorous policy of Public Works unemployment has now been reduced to less than 10,000, many of whom are stated to be sick or physically unfit.

Although it has now been nearly two and a half years in office, the Government is still very popular. It goes from strength to strength and, barring accidents, it will certainly win the next elections in the autumn. I spoke to people in trains and on boats, in public houses and by the roadside, and in newspaper offices, and I heard always the same story. No one seriously expects the Government to be beaten. Under the other crowd, men were unemployed, starving, bankrupt. Under this Government, hope, work, purchasing power have returned. The Government may lose a few seats on balance. That would do it good, rather than harm.

Its present majority is unwieldy, too fat to be quite healthy.

One means by which the Government have held the attention of the electors and made politics live, is by the broadcasting of Parliamentary proceedings on important occasions. This has been very popular. It has brought Parliament and its work into the homes of the people. To listen in to Parliament is better than to read an abbreviated and perhaps misleading Press summary next day. It is especially appreciated in scattered and isolated rural areas. Hitherto I have been opposed to the idea of broadcasting Parliament in this country. But, in the light of the New Zealand experience, we should, I think, reconsider the question.

The Government did very well to put through the great mass of its legislation at high speed in its first session. It has thus gained valuable time to administer this new legislation efficiently and to consolidate its advance. But in the present session of Parliament important work is being done. The first duty of the House when it met, on the day I sailed from Wellington for home, was to ratify twenty two I.L.O. conventions. Proposals for a comprehensive scheme of National Health Insurance and of superannuation were to be brought forward and passed, after due examination by a Parliamentary Committee, before the election.

A new and important Socialist measure has been introduced, to create an Iron and Steel Industry of New Zealand - there is none now - publicly owned from the start and free from all financial

private interests.

A large plant of the most modern type is to be established at Onekaka at the northern end of the South Island, where there are rich iron ore deposits. It is to be public property and its construction is to be financed by a credit from the Reserve Bank. When in working order, it will draw coal from the State's mines in the neighbourhood, and will supply about half the iron and steel requirements of New Zealand. The adoption of this scheme is, of course, due partly to defence considerations. But it has value also for employment and for the development of New Zealand economy, at once more balanced and more socialist. In this same connection serious study is being given to the possibility of establishing a state owned oil from coal plant in the same area. These will be the two biggest industrial enterprises in New Zealand.

Mr Sullivan, the Minister of Railways and Industry, is also extending public ownership of transport from rail to road. He has taken over, since he assumed office, a number of road bus services and intends to proceed much further, aiming at the complete coordination, for the most part under public ownership, of transport by rail, road, in and coastwise shipping, - the policy laid down by the British Labour Party.

As regards the land, the New Zealand Labour Party does not stand for wholesale nationalisation, nor does the Government propose it. The Party programme provides that no land, now publicly

owned, shall be alienated, but that there shall be full recognition of the private owners' interest in the land, "including tenure, right of sale, transfer and bequest." There shall be power of compulsory acquisition of areas of land suitable for closer settlement or for town planning, that is to say, selective and gradual nationalisation. There shall also be a graduated tax on unimproved land values. This programme is being carried out. Small owners are exempt from the land tax and deductions are made from tax assessments in respect of mortgages. The land tax only falls heavily on large landowners. The small and middle-sized farmer, owning his own land, is a most important element in the political, as well as in the economic, life of New Zealand, and it was his vote which gave the Labour Party many seats at the last election. Guaranteed prices, mortgage adjustments, improved credit facilities, and the Public Works programme have brought him many solid advantages. But his vote would undoubtedly be lost if he were either heavily taxed on the value of his land or threatened with the loss, even for a fair purchase price, of his freehold.

It is also noticeable that in New Zealand, as in Australia, the Labour Party favours home ownership, both in town and country, and gives financial assistance to enable small occupiers to purchase their houses. In addition, however, the New Zealand Government is building a large number of houses to let.

I had a conversation with Mr Semple, Minister for Public Works, one of the most active and dynamic members of the Government.

He is pushing through, with immense energy, a very large and varied programme, which has absorbed many thousands of men previously unemployed. "Bob Semple's Pretorian Guard", - the men employed on these works - and "Bob Semple's running shoes" - "Go and get your running shoes" is one of his favourite forms of exhortation - are familiar phrases in New Zealand to-day.

The range of public works is very wide. It includes the construction of new, and the improvement of existing, railways and roads; development of electric supply; public buildings; aerodromes; afforestation; land draining, irrigation and reclamation; extension of telegraph and telephone systems; and development of tourist resorts, including State owned hotels.

Mr Semple has given special attention to the amenities of life in the public works camps, often situated far from urban centres. Entertainment halls, with radio sets, libraries and canteens have been provided. The Y.M.C.A. provides recreation and amusements in all the larger camps. The men work a five day week of forty hours and many spend their weekends away from the camps. All are required to become members of the New Zealand Workers' Union. Wages are about £4 a week. Nineteen thousand men are now employed on Public Works, in spite of the fact that much powerful and up-to-date labour saving machinery has been put into operation.

Public Works are financed, as to about 40% from revenue and as to about 60% from loans. The loans are furnished from the

Post Office Savings Bank and other surpluses accruing to Public Departments. No loans for this purpose are being raised on the open market. The revenue includes part of the proceeds of the old Unemployment Relief Tax. This is now paid into the Employment Promotion Fund, a significant change of name. Money which used to pay ~~wages~~ for unemployment relief is now helping to pay wages on work of social utility.

Some 19,000 men are now employed on Public Works. In his last Annual Report Mr Semple states that "the men on every class of construction have improved wonderfully in skill and in output of work during the year, and now they are an army of men the nation can be proud of." He adds, "I have spoken to the workmen whenever I have gone and impressed upon them the fact that the Government expects them to give a fair day's work for the wages they are receiving."

Mr Nash is determined, in spite of some expert advice tendered to him in the opposite sense, to continue a policy of cheap money. As a result of its legislation, the Government has now a very strong hold over finance.

The Reserve Bank, the State Advances Corporation, which lends, on mortgage, to Local Authorities and to private individuals for housing, and to farmers for farm improvements, the State Insurance Office, the Post Office Savings Bank, the the Public Trustee, - who, unlike his British counterpart, realises all assets and reinvests the proceeds, paying all beneficiaries a flat rate of

interest on their principal, - between them command great financial power.

Private underwriters' commissions on all public and semi-public loans have been washed out, the Reserve Bank having taken over this function. The Reserve Bank has also the power to fix the amount of the deposits which the Trading Banks must keep with it.

Over the Bank of New Zealand, by far the largest of the Trading Banks, the Government has a power of control which it has never used, since it appoints four out of its six Directors, an arrangement dating back to 18 , when the Government of that day had to rescue the Bank from imminent bankruptcy.

Mr Nash has announced that there will be no more borrowing by the Government in London, except for the replacement of debt, and he is taking steps to reduce the total of external debt outstanding.

There was no financial crisis, ^{or visible panic} either in New Zealand or in London, when Labour won the election of 1935. Nor when the Labour Government nationalised the Reserve Bank and the State Advances Corporation. After having done these deeds, Mr Nash came to London and converted a maturing Loan on very favourable terms. He only missed by a fraction of 1% breaking all records for cheap borrowing by New Zealand. New Zealand's credit in London stood very high. Since then, there has been a general fall in Stock Exchange values in London, in which New Zealand stocks have

naturally shared. There is no evidence of any recent flight of capital from New Zealand. Sterling balances have been somewhat diminished, owing to imports into New Zealand having grown even faster than exports. And it appears that some New Zealanders have been buying Australian securities.

The Government now supplies free milk, half a pint a day, to all children attending elementary schools. As I am on the boat, the new superannuation scheme is announced. It seems that they are to have 30/- a week at 60, provided not more than £1 a week other income, - from any source! whether from work or property. Also free medical and hospital service. Also unemployment maintenance.

Finance. Substitute present unemployment relief tax of 6d in £ on wages by new Social Service tax of 1/- in £ on wages. The State to double each pound. Since wages run to £4 or more a week, this means weekly contributions of 4/- upwards. Benefits to start in April next. New Zealand has a young population and is spending a good deal on pensions now. I should like more details. Anyhow, it is good electioneering.

New Zealand Trade Union Movement has only just found, in 1937, an effective national organisation.

National Federation of Labour is based, not on separate representation of Unions, and hence of industries and crafts, but on regional representation. New Zealand is divided for this purpose into ten areas, in each of which a Trades Council is established.

Each of these Trades Councils sends a representative to the Federation Executive.

Much talk of weakness on waterfront and in railway shops. Galway says it is serious. He wonders whether an impartial Commission of Enquiry would do any good. Sullivan says that in some railway shops 25%, in others 10%, of the men are slacking. Only at the Wanganin shop is output as good since the 40 hour week as before. (This concerns his Department.) Fraser says waterfront works are slack. One addresses them, is applauded, goes away, and no improvement. Nash says waterside workers and railway shopmen aren't working properly. We can establish Socialism by persuasion, if men will work. Otherwise it is hopeless. Socialism by revolution will never come in any case. The other side will beat you at that game, if you try to begin it.

It is common form to criticise New Zealand waterside ~~me~~ workers. It is said that loading and unloading is much slower than in Australia.

Captain Summers of the Akaroa, with whom I talk, without giving any lead, doesn't blame the men, but the old fashioned and insufficient rolling stock (railways), inadequate berths, and lack of frozen and chilled accommodation for meat close to the ships. New Zealand in this respect is much behind Argentine, Brazil and, more recently, Queensland. He says nothing against the men. But he thinks the New Zealand Government would do much better to make more rolling stock in its railway shops than to build a line

through useless country from Napier to Gisborne.

Nash says a Labour Government in England would help them enormously. He is very earnest about this. I fancy he is thinking of banking (a nationalised Bank of England playing ball with the Reserve Bank), conversions (again Bank of England and Government might help to lower rates of interest), trade (we might accept the offer he made to the present Government, or go beyond it in organising bulk purchase.)

Fraser is likely to succeed Savage soon as Premier. He is an extremely nice fellow, sensible, sincere and kindly, a good judge of men and situations, more intellect than Savage, but less personal magnetism. Not an obvious looking leader. He has a good wife. And he has, to use his own phrase, "that intangible thing wisdom".

Labour in New Zealand has given an example to the world of democratic drive and political efficiency. She is advancing towards Socialism, not through deepening capitalist crisis or through increasing misery of the working class, but behind a barrage of prosperity in which all sections of the community are sharing. And this is both the easiest and the surest way of advance. This prosperity is due partly to external factors, - good prices for New Zealand exports in London, - but largely to wise public policy in New Zealand. If external factors turn adverse, - if another slump comes, with a collapse of export prices, or if a World War comes - New Zealand's economy will be tested.

New Zealand has gone so far along the Socialist road that Planning is essential. The Labour Party, in opposition, thought out clearly their next steps. Now that they are in power, the men who did most of that thinking are in the grip of office. I had the impression that Ministers were in danger of losing some of their efficiency through overwork, - and overwork not on plans for the day after tomorrow, but on the details of today. I formed the very definite opinion that more planning ahead was needed, that hypothetical questions should be fully studied, and that Ministers and their immediate staffs were much too busy to do such work.

The notion of a "brains trust" has been discredited in New Zealand, because the previous Government had one, and based its reactionary policies on alleged expert advice. There has, therefore, been a tendency in the New Zealand Labour Party to exalt the Parliamentarian as such, and to declare that the Representatives of the People, unhampered and unworried by outsiders, shall do the full job of Government. This sounds well enough as a principle, but it can be carried too far, and may result in bad breakdowns, through mental unpreparedness, if a crisis comes.

There is, I think, a strong case for creating now some Thinking and Planning Machine, composed of a nucleus of Ministers and Members of Parliament, but also of able men, economists and others, from outside, provided that they have the right political outlook.

NEW ZEALANDFinance

Nash
Lawn
Lefeaux

Lefeaux is very much against further expansion of Reserve Bank credit. He wants to "keep the decks clear" for conversions, and possible Depression. He thinks credit has not been too much expanded so far, but is apprehensive of further demands. Nash "has very rigid ideas". Sterling balances are falling, and are now insufficient to pay off £17 million sterling loan maturing in 1940. Imports have been increasing more rapidly than exports, though these are at record height. Imports are ordered months in advance, and would not fall, if export income fell, until after an interval. Pressure on exchange might be serious and a demand for exchange control might develop. He would regard exchange control as very undesirable, and it would be very bad for New Zealand credit in London. Already the loan raised by Nash at 98 is down to 89. Public Works are very expensive. Some cost £100 per man per year. Not much scope for industrial development, owing to small New Zealand market. No case, apart from defence, for iron and steel industry. The man talks at length, freely and rather apprehensively. I think he feels lonely and unhappy. He would, I fancy, much prefer to be in London and meet ladies and gentlemen and to go to good concerts. He says he has no politics and is only anxious to help. He regards himself as a doctor, whose

duly is to advise on financial health. Looks rather like Norman. It is bad that some loans maturing in the 40's have only one fixed redemption duty.

Lawn. Labour economist, now Director of Reserve Bank, and Economic Adviser to Lefeaux. Solemn and slow of speech. Thinks Lefeaux feels very isolated. He should see Nash more often, and it would be a good thing if he sometimes saw the whole Cabinet. Lawn once arranged for him to see Nash regularly once a week, but this broke down, as Nash was too busy. Sometimes now they don't meet for a month or more, and, when they do, it is when Nash has some demand to put to him, which Lefeaux dislikes and resists. He doesn't think Lefeaux is disloyal, but he might be driven to resignation, and, if this came just before the election, it might be awkward, and, whenever it came, it would be bad for New Zealand credit in London. He has a 7 year contract, till 1942 (2).

Lawn thinks plans should be worked out for exchange control and import control, in event of recession. Possible prejudice in Labour Party against "Brains Trust", because Coates had one, including Belshaw, and had outside experts to defend deflation. Planning Committee of Enquiry should include ~~xxx~~ Ministers and M.P.s as well as outside experts with Labour sympathies. He thinks man could be found. There is danger of being caught unprepared. Nash won't ~~■~~, and is overworking. So are other Ministers. There is a majority for Government if

necessary. Directors of Reserve Bank meet once a month.

Nash, charged by me with overworking and not devolving, admits that he has to "watch everything" to prevent mistakes being made. There is no one who combines the right political and financial knowledge. He is always looking out for such a person. Colin Clark might have done. Lefeaux is a good banker but very orthodox. He has been having some hard tussles with him. The latest is over Loans to Local Bodies. He wants L. to lend them £11 million over a term of years at 3½%. This is ½% below market rate. L. most unwilling. "The sweat was pouring off him" at the end of the talk. He questioned Nash's right to dictate terms of loan, though admitting his right to require loans to be made. Nash insisted that he had full rights. If not, L. could fix 15% and nullify the whole thing. Anyhow there would be a majority on the Board if necessary. He would like to see L. more often - I put Lawn's point - but he was very busy.

He (Nash) was regarded by some as the conservative of the Party, but many held Douglas credit views, and it was impossible to go too fast. He had to think of credit in London. He asked my views and I said that suspicion of "funny business" in finance would certainly have adverse affects. Conversions fell rather awkwardly. He thought a Labour Government at our end would help them tremendously. For election purposes some form of words must be used that would hold the Douglas Credit vote.

Bank of New Zealand has 45% of the clearing bank business, though there are five competitors with head offices outside

New Zealand. On the Bank of N.Z. there are four Government Directors out of six, but they have never had any directions from the Government. Obvious course seems to me to be to merge the others in the Bank of N.Z. and to impose licensing requirements against new competitors.

Barnard and Nordmeyer are toying with the idea of using Reserve Bank credit to "take over" Bank of N.Z. as well as to start new iron and steel industry at Onekaka. I strongly discouraged the former proposal.

Lawn is afraid that "disorder" in money or labour market might lead to "quick action" of a Fascist character by opponents.

Nash, Fraser and Lawn all speak of danger on waterfront. Also Galway (They say that Galway is too much of a larrikin and gives offence by telling dirty stories in after dinner speeches.) The men are working badly, much worse than in Australia. Unloading is very slow. The shipping Companies are threatening to cut out Auckland. Repairing contracts are being lost to Australia.

The men on Public Works have a 40 hour, and five day, week; many go home from the camps for weekends. They get from £3 to £4 a week. This has been a very good show up to date, but it costs a good deal per man employed and it is generally recognised that it would be a good thing if a number of these men were drawn off into industrial employment.