(e.) State Competition.

The principle of State competition in trade and industry has been recognized in New Zealand by the working of the State coal-mines in competition with privately owned mines, and by the establishment of Life, Accident, and Fire Insurance Departments in competition with privately operated concerns; but it seems advisable to the Board that legislative authority should be conferred on the Government to engage more extensively in trading where it is impossible by other means effectively to control prices. The policy of State competition, however, has a limited application. It is sometimes a forerunner of complete nationalization of industry. When this is the object of State competition it will probably be found more expedient to nationalize the industry at once. If in particular cases nationalization is not desirable, monopoly can still be controlled by State regulation of prices, this remedy involving a less serious extension of the sphere of public responsibility. In regard to its efficacy as a means of controlling monopoly, its opponents urge that State management is relatively inefficient as compared with private management. Theoretically this argument is unsound, as most big businesses are now managed by a body of servants, and if the State is willing to pay for skilled management the same price as is paid by private concerns, there seems to be no reason in theory why it should not be able to secure the same service. There is the danger, however, that if the State engages in business it would be expected to pay higher prices to producers for raw materials, or to charge lower prices to consumers, or to do both these and still show a profit, and this in competition with private businesses highly organized which may already be in control of the market and which may be conducted with efficiency. In spite of this objection, however, the power to engage in competition should be conferred by legislation, as the fear that the power may be exercised may often restrict monopolies from extracting the highest possible price.

(f.) Nationalization (and Democratic Management).

Nationalization implies public ownership, but not necessarily public management (see Report on Coal Industry, H.-44A, page 86). It is not a policy that can be applied indiscriminately. Whether or not it can be applied at all is a question of expediency in each particular case, but in some industries a *prima facie* case already exists for nationalization in some form or another. These are—

(a.) Transport, including such subsidiary services as control of the waterfront.
(b.) Industries which vitally affect the health of the community—for instance, flour-milling and milk-supply.
(c.) Industries which progressively exhaust the national resources—for example, coal, timber, and possibly oil.
(d.) Where monopoly cannot adequately be controlled by price-regulation. Experience will decide when this occurs. Where the choice is between nationalization and price-control the issue depends on the practicability of the latter method.

Nationalization should provide in any future case that the employees have a voice in directing the business policy and management of the industry nationalized, as the Board believes that this is the way which promises most for the alleviation of industrial strife and misunderstandings, as it will tend to provide better conditions for the worker and an improvement in his status. For, as the late President Roosevelt points out in his last book—"The Foes of our own Household"—"the present system is an attempt to combine political democracy with industrial autocracy," and that this attempt is the root cause of labour dissatisfaction and unrest. Safeguards must be taken, however, to ensure efficiency, encourage initiative, enterprise, and resourceful management, and to accumulate out of the profits of the industry a fund adequate to its future development, so that it will not become a burden on the other industries of the Dominion.

The Board should therefore be given powers, as a result of inquiry or investigation into any trade, industry, or business, to recommend nationalization, and when the Board is of opinion that nationalization is desirable it should thereupon prepare a scheme of nationalization for submission to Parliament.

(g.) Fixation of Price.

The practicability of price-fixing has been demonstrated by actual experience during the last four years, but the Board points out that what is now recommended is not an attempt to fix prices generally, but only an attempt to fix prices where, without State regulation, they would be fixed by monopoly in its own interests. The precise form that fixation should take should not be specifically defined, as the Board should have the power to fix (*a*) a straight-out price, (*b*) a maximum price, (*c*) a minimum price, (*d*) a sliding-scale price; (*e*) or power to call upon a monopoly to revise its scale of prices; (*f*) the power to appoint an officer to attend any meeting of traders where price-fixation in the trade is under discussion.

The point at which price-fixation takes place should be left to the discretion of the Board. Whatever prices are fixed should allow a fair return to capital, but in this connection it may be difficult to determine what should be allowed as capital. Should it be (*a*) subscribed capital, (*b*) the cost of plant-replacement, or (*c*) the market value of shares?

These difficulties must be faced, but need not prove insuperable, as by a careful detailed study by the aid of accountants the Board should be able to achieve a reasonable compromise between the various parties concerned—the shareholders, the producers, the employees, and the consumers. The fixation of price need not necessarily weaken the incentive to increase efficiency, as the question of limitation of profits does not necessarily arise; for so long as the controlled article is sold at not exceeding the fixed price monopoly can retain any profit it makes, subject to income-tax, and a