

works freely, and Government interference is one of the minor conditions limiting it. In fact, business men themselves are showing a very prevalent tendency to combine and agree for the purpose of eliminating many of the important features of competition.

The Department has considered this matter from time to time, and it cannot agree that the total removal of Government restrictions will be either welcome or beneficial. The experiences of the war have shown many opportunities for co-operative effort, especially in relation to the organization and development of the secondary industries of the Dominion. Moreover, the Department cannot subscribe to the view that unrestricted competition always brings the best condition of well-being to a community. Theoretically, it should do so, but the teaching of economic history is that in practice the tendency is for competitive business either to develop into competitive fraud or to merge into monopoly.

The likelihood that unrestricted competition in New Zealand will merge into monopolies is increased by the fact that monopoly tendencies are already widespread, and that our isolation may facilitate the working of combines and price agreements.

The industrial system in vogue in Britain is often said to be an individualistic one; but even there monopoly practices are, in fact, quite common. Consider, for example, the following extract from "Reconstruction Problems," No. 31, by the British Ministry of Reconstruction:—

"A study of the actual world of business in 1919 shows that conditions have materially changed since the competitive theory was framed. In the business world of to-day there are, in every important branch of industry, arrangements of one kind or another between supposedly rival firms for restricting competition and controlling prices. There are also in many industries great amalgamations of formerly competitive concerns which dominate the market. In these circumstances the combine or associated firms can put obstacles in the way of any new firm obtaining a footing in the market, and can restrain those already in the trade from apportioning out more than is good for the rest. That is to say, they can prevent that competition between sellers which was an essential part of the competitive theory, and where that is so it is evident that competition can no longer be relied upon to ensure that prices and profits are 'just about right.' They can be fixed by the association or combine at a level which is thought 'reasonable,' and be held at that level in defiance of any 'law of demand and supply.'"

The foregoing is of special interest, as it refers to a great industrial country that is supposed to be particularly free from combines and agreements in restraint of competition.

COST OF LIVING.

This problem has given the Department a great deal of concern during the past two years. In the effort to deal with the difficulties which arose from time to time the Department was guided by the best available advice, and endeavoured to act fairly within the limits of its statutory powers.

It has been widely overlooked that profiteering was only one of the minor conditions producing the high price-level that has prevailed for the past few years. Many critics were obviously unaware of the complexity of the issues involved, and tended to overlook the fact that the activities of the Department had to be conducted strictly in accordance with the statutory provisions relating thereto. Moreover, in practice the detection and prevention of profiteering has proved to be a most difficult task. The particulars of a later chapter—dealing with the tribunals' investigations—will show that the majority of complaints did not disclose profiteering. In many instances the prices were high; but this state of affairs was frequently due to conditions beyond the vendors' control. Often it appeared that high prices were due partly to the inefficiency of the distributing-system rather than to the rapacity of individual traders, as in many instances it was clearly established that a good deal of unnecessary handling and dealing by middlemen did occur in connection with many important commodities, with the result that the final prices were considerably inflated, while none of the dealers was actually guilty of profiteering. The complaints submitted to the Department and its tribunals are, of course, only a sample, and may not be fully representative of prevailing conditions.

CONTROL OF BUILDING-MATERIALS.

ONE of the greatest difficulties of the Dominion during and subsequent to the war has been to cope with the demand for materials for building-construction. Not only was there an acute shortage of dwellings, but it was also necessary to provide for development works connected with industries and commerce. The shortage of materials was so serious that the prices tended to be considerably inflated, and if this inflation had been allowed to proceed uninterruptedly it would have been a serious hardship to those requiring essential buildings. Therefore some measure of official control of the supplies of building-materials was imperative, and even in 1921 the stage has not been reached when this control can be altogether relaxed. The following is a summary of the Board's work connected with the supplies of building-materials during the two years ended 31st March, 1921:—

TIMBER-SUPPLIES.

Although the Board had previously conducted inquiries into our timber resources and the measures necessary to meet the demand for timber of various classes in New Zealand, it was not until the 6th August, 1918, that any regulations were issued. These regulations provided for the control of the export trade, the fixation of a price for timber for local use, and the gradual diminution of export to prevent the depletion of our native forests. Particulars of the Board's inquiries,