but they have had the same experience as the United States, and have become a very rich and powerful nation. That leads up to the point of the necessity for a State Department whose special duty it should be to take care of and encourage the secondary and manufacturing industries of the country. The principle has been admitted already in New Zealand. We have a Department of Agriculture which is doing remarkably good work; it covers a considerable range of activities—field-work, experimental work, training of farmers, seed-testing, stock-breeding, dairy and flax grading. The Department employs some hundreds of officials. They must expend a considerable amount of money yearly, but I do not think any citizen of New Zealand grudges a penny of it, because we recognize that the Department is doing good and useful work, and benefits everybody directly or indirectly. So that the principle that the State is interested in the production of the wealth of the country has already been admitted, and it is only necessary that the State should extend the application of that principle by taking in the secondary industries. I am not referring at the moment to the engineering industry in particular, but to secondary industries in general. I may make some suggestions as to how I think this Department of the State, if properly established and given sufficient means and authority for carrying on its work, may do good. In the first place, in respect to new and struggling industries, I do not see why the State should not help financially. So far as I know, there is no reason why the State should not furnish direct financial assistance in the inauguration of new industries. Private capital is naturally very cautious, and it is almost impossible to get private capital to subscribe in trying to establish an industry the success of which is by no means a certainty. I do not see why the State should not step in, and if the prospects are sufficiently encouraging give direct or indirect financial assistance in that direction. If direct assistance is not considered desirable it might offer inducements to private investors, perhaps by guaranteeing dividends for a certain number of years. The Government do a great deal in the way of consuming supplies of raw materials. Private individuals in having to get their raw materials in small quantities are at a great disadvantage as compared with the larger quantities that the Government could buy. There is no reason why this Department of Industries should not have as one branch a general buying agency. The Government Departments are already large users of certain materials—I allude to the Railways, the Post and Telegraph, and other Departments.

The Chairman.] The Government purchases of wheat: does that encourage you to go on?—Perhaps that was more political. I do not know whether that is altogether a fair example of what the State might do. I am suggesting that a Department be set up similar to the Department of Agriculture—a Department which should be self-contained, in the sense that it would have its own managers—men knowing their business. This Department would be a business Department absolutely—with as little interference as possible from politics or Ministers. I imagine the Department of Agriculture is like that. They know the lines they work upon, and everybody is satisfied. Nobody complains about the Department of Agriculture. I do not see why we should not have an Industries Department, which should be self-contained and self-directing to a very large extent. If such a Department were set up it might set up a general buying department. It seems to me a business proposition that is sound. The Railway Department and the Post and Telegraph Department now buy their own goods. The buying agency might very well be a department of the Department of Industries, and help private businesses as well as secure supplies for Government Departments. The Department of Industries, I think, might do a great deal to assist industries in connection with new processes and discoveries of science as applied to industries. I think the State might go even a little further than that, and might make itself a partner in manufacturing industries, or take them more or less under its wing. We have had during the last four years an experience of the efficiency of manufacturing industries in Great Britain, for instance, for the purposes of the war. We know very well that, although one would have thought that the engineering industries of Great Britain would have been capable of rising to almost any emergency, it was found that they were quite incapable of supplying the requirements of the nation in war. So the State stepped in and took these factories under their wing; they established new ones; they co-ordinated existing organizations; they took men from one factory and put them into another; they standardized and specialized, and extended the system of manufactures to an extent that was never dreamed of in England before. The result was an increase in the manufacturing industries of the United Kingdom for war purposes to an extent that would have seemed impossible previously. If the State can do that for the nation in time of war I do not see why they should not do a great deal for the nation in time of peace. I would like to hand to the Committee a little book containing an address which I recently delivered in Christchurch recently—an address in which I have rather developed this subject. As to how the Department is going to help New Zealand industries, I may state that Mr. J. Ellis Barker in his book says, "The United States owe their industrial supremacy to the energetic activity of the American Government and people. America's manufacturing success is due mainly to two reasons: to the technical policy pursued by both employers and employed, and to the economic policy pursued by the American Government and people." I may here say that there is no uniform system of costing in this country. That is a most important thing in any business. If there is one thing of more importance in manufacturing business than almost any other it is that there should be a proper system of costing, otherwise one is never sure whether the margin is sure to cover the cost of distribution and whether you have sufficient profit. I have found that a real thorough system of costing is rare in New Zealand. Very few manufacturers or business people realize how absolutely essential it is. All sorts of contingencies and conditions may raise prices. You cannot foresee what the wages, the freights, or the cost of material may be; or the cost of distribution may rise or fall. A great number of conditions