Salaries and Wages paid.

Increases.—Motor and cycle engineering, £55,262; printing and publishing, £53,399; chemical fertilizers, £37,965; electric tramways, £32,022; electric supply, £24,030; grain-milling, £13,631.

Decreases.—Sawmilling, £272,612; flax-milling, £52,593; agricultural machinery, £22,519; biscuit and confectionery, £18,702; woodware and turnery, £17,853; saddlery and harness-making, £17,659.

Added Value.

Increases.—Meat-freezing, £278,758; ham and bacon curing, £94,186; electric tramways, £91,644; woollen-milling, £77,136; grain-milling, £61,669; cooperage factories, £48,998.

Decreases.—Sawmilling, £550,827; electric supply, £239,942; butter and cheese, £172,986; printing and publishing, £145,493; biscuit and confectionery, £68,344; flax-milling, £59,349.

Land, Buildings, Plant, and Machinery.

Increases.—Electric supply, £1,634,839; printing and publishing, £172,483; grain-milling, £85,773; meat-freezing, £82,496; chemical fertilizers, £49,940; iron and brass foundries, £34,430.

Decreases.—Biscuit and confectionery, £155,975; sawmilling, £133,601; butter and cheese, £45,403; furniture-making, £35,652; boot and shoe, £31,275; ærated waters, £22,112; agricultural machinery, £21,632.

In the appendix to this report details are given of the position with respect to several of the more important industries, but it may be said in concluding this section that the number of new establishments registered during the year was not great. There was general absence of optimism except in a few important industries, and manufacturers had a hard struggle to maintain output and to gain reasonable profits. Faith, however, was never relinquished in their capacity to regain the lost ground, and a good deal of attention has been given to more efficient methods of production with a view to reducing costs. It is also worthy of particular note that in no case coming under the observation of the Department was there a desire to sacrifice quality of output in order to meet the competition of goods from outside sources. The ideal to maintain high-quality products is greatly to be commended; it is felt that it must eventually merit a more generous recognition from the buying public.

Rationalization of Industry.

In the course of this report reference has been made to the "rationalization of industry," a term that has come into general use in the last two years, and, as much is expected from the practical application of the ideas and principles underlying this term, a few words may here be said about it.

Rationalization is an attempt to reorganize industry on rational lines. This involves co-operation by firms within an industry, elimination of waste, amplification, and standardization. The characteristic of association may resemble trustification, but the co-operation involved is usually less organic than in trustification. To this development is attributed the recovery of German industry, and, if we believe the writers on the subject, it will diminish unemployment and increase prosperity in any country in which it is applied. Wherever it has been applied, whether in Germany or elsewhere, it has met with a degree of success that promises well for the future. The movement is not universal, but it is steadily gaining prominence, and reorganization of industry is steadily being continued.

The Economic Conference of the League of Nations in 1927 decided that the judicious and constant application of rationalization is calculated to secure "to the various classes of producers higher and steadier remunerations."

The movement has been brought about partly through the changes in demand that took place during the war and post-war periods, and partly through the new and severe competition which European countries have had to meet from their rivals in the markets, many of whom, like America and Japan, obtained firm footings in the industrial field while Europe was engaged in war. Other factors, of course, have also aided the movement, as, for instance, the imposition of higher tariffs, which have affected industry by changing the volume and direction of trade.

Rationalization has been described as consisting of four phases—stabilization, simplification, standardization, and specialization. Production is to be organized so that it will be more steady and continuous, waste is to be eliminated, and cost lowered by the reduction in the number of varieties and types of commodities, and specialization in the actual processes and organization of manufacture is to be obtained by agreement between producers. These four phases involve improvement in business management; interchange of information, ideas, and experiences between competing firms; investigations and research in not only chemical and technical work, but also in such matters as industrial relations, sales, production, administration, manufacturing processes, factory costs, and such like; improvement in educational facilities; and, finally, improvement in merchandising methods. With the rapid increase of productive capacity, in many cases in excess of immediate demand, manufacturers are giving more and more attention to the problem of distribution, and to the establishment of a balance between production and consumption. Sales-management is becoming a distinctive branch of business, and schools and colleges are now giving courses in marketing, management, advertising, and salesmanship.

Rationalization of industry is not a panacea for all existing evils. It is yet too early to judge the results of the movement, and it is possible that its effects have been overestimated. As far as can be seen, however, from the results that have been achieved wherever it has been put into practice, considerable economies have taken place, with consequent benefit to the producers, and ultimate benefit to the consumers. Maladjustment in production, lack of balance between consumption and production, cyclical periods of fluctuations and depressions, and unemployment will still, no doubt, occur, but all these can be modified considerably and their effects mitigated. At all events, whatever effects rationalization has in the way of stabilizing industry, it will in the long-run be reflected in a diminution of unemployment, although temporarily, during the period of reorganization, it may actually increase it.