

SECTION IV.—POLICIES SUGGESTED.

The following policies have at various times been suggested as complete remedies for the prevention or control of monopolies, and each has its particular adherents and defenders :—

- (a.) Limitation of size of business unit.
- (b.) Limitation of profits.
- (c.) Publicity.
- (d.) Legislative regulation and administrative supervision of competition.
- (e.) State competition.
- (f.) Nationalization.
- (g.) State regulation of price.

The Board is of opinion, as previously stated, that no one remedy is a panacea for all the evils of monopoly, but that each has a more or less limited or extended sphere of usefulness. We propose to discuss shortly each of these suggested remedies.

(a.) LIMITATION OF SIZE OF BUSINESS UNIT.

This idea has already, to some extent, found legislative expression in New Zealand in the regulations requiring meat-exporters to take out licenses, the intention being that the licensing authority will not issue a license to any combination which has grown so large as to be able to control the whole market. It is doubtful, however, whether this policy is not fundamentally unsound, as a monopoly may be gained and held on the sole basis of superior economic efficiency. Moreover, the policy seems illogical in that it implies that although a business unit has to compete it must not compete so successfully as to drive its competitors out of business, even though this results from superior business methods. The aim should be to prevent unfair competition by securing a fair field and no favour; and a policy with this objective would not attack the big business *per se*, but would impose on the big business the burden of proving that its size really represents a net community gain. "The ideal condition, to my thinking," declares Professor Wyman, of Harvard, "is to have monopoly where that is the more effective form, and competition where that is the natural thing."

(b.) LIMITATION OF PROFITS.

The power to limit profits is necessary as an integral part of the control of prices, to which reference will be made later; but, without careful safeguarding, a policy of profit-limitation would tend to inefficiency, as no incentive would remain to increase profits by the introduction of improvements in production or distribution. Moreover, the policy might be partially defeated by nepotism or extravagant managerial expenses. The principle, however, has been recognized under the legislation passed last session. The War Legislation and Statute Law Amendment Act, 1918, section 21, provides as follows :—

"21. (1.) This section shall be read with and form part of the Regulation of Trade and Commerce Act, 1914 (in this section referred to as the principal Act).

"(2.) Every person commits an offence against this section who either as principal or agent sells or supplies, or offers for sale or supply, in New Zealand any goods at a price which is unreasonably high if the opportunity of obtaining such price in New Zealand arises by reason of the existence, present or past, of a war in which His Majesty is engaged, or by reason of a scarcity of such goods in New Zealand caused by war conditions, present or past.

"(3.) For the purposes of this section the price of any goods shall be deemed to be unreasonably high if it produces more than a fair and reasonable rate of commercial profit to the person selling or supplying, or offering to sell or supply, the goods, or to his principal.

"(4.) A fair and reasonable rate of commercial profit is for the purposes of this section such rate as would have been fair and reasonable on similar goods prior to the fourth day of August, nineteen hundred and fourteen, with a fair and reasonable addition for war conditions of freight charges and business expenses.

"(5.) Every person commits an offence against this section who being in possession of goods for mercantile purposes hoards and refuses to sell, or make available for sale, such goods, if such hoarding or refusal raises, or tends to raise, the cost of other similar goods to the public.

"(6.) Every person who is guilty of an offence against this section is liable on summary conviction to a penalty not exceeding in the case of an individual two hundred pounds and in the case of an incorporated company one thousand pounds.

"(7.) This section shall continue in force so long as the principal Act remains in force and no longer."

The weakness of this section was the failure to provide any machinery clauses for the detection of profits in excess of the profits obtaining in 1914.

(c.) PUBLICITY.

There is a growing conviction in the public mind that the State should insist that industry should be conducted on a basis of complete publicity, except in so far as paramount interests make publicity undesirable in exceptional cases. The State is entitled to full knowledge of the facts concerning industries, as there is no industry that has not received, or is not now receiving, benefits, directly or indirectly, from the State. If industry is carried on to serve the public, not merely for the personal profit of those who supply the capital for it, the community has the right to satisfy itself that the service is faithfully discharged. Unless there is complete publicity in regard to profits and costs it is impossible to form any judgment either of the reasonableness of the prices charged or of