It is in the public interest (*a*) to lower distributive costs, (*b*) to accelerate retail turnover; it is in the interests of the P.A.T.A. to maintain retail costs, and therefore inhibit rapid turnover. Members are expressly forbidden to pass on to their customers any share of the discounts arising from bulk purchase and economical distribution. In other words, the economies of larger-scale operation, where they do exist, are expressly reserved from the consumer in the interests of the less efficient and more poorly organized distributors. A premium is thus put upon inefficiency and incapacity, and ability and economy are made a vice. No association involving such preposterous consequences could possibly be in the public interest. The position is almost Gilbertian.

(xi) There is always a tendency in a complex community towards an excessive proliferation of petty retailers of an inefficient type.

The plain fact is that one of the great wastes of business is the incredibly inefficient methods of distribution. To-day an article usually doubles in value between production costs and what the consumer pays. This does not mean that the distributor is a heartless profiteer. Taken by and large, the retailer's profit is not great. The indefensibly high prices of to-day are the result of inefficient production and inefficient distribution. The difference between what prices are to-day and what they might be is not so much pocketed as wasted.—(Canadian report, p. 9, quoting Mr. Filene, the well-known American merchant.)

This disastrous tendency is particularly noticeable in New Zealand, where petty shopkeeping springs into being at a moment's notice, owing to the relatively small initial outlay and the ease of obtaining stocks from keenly competing wholesalers on the tied-house system. Small shopkeeping should not be encouraged to over-development. It is a lazy man's existence, productive of social waste, and the small trader, though useful to poorer and more shiftless customers because of his personal touch with them, is really as much a parasite on them as a benefactor, and fosters instead of discouraging thriftless habits and uneconomical buying methods among some sections of the population. What is urgently needed is a trend towards larger-scale business; more efficient and less personal distributive methods. This is apparently the opinion of so experienced and competent an observer as His Honour Mr. Justice Frazer, Judge of the Court of Arbitration, given in Book of Awards, vol. xxv, p. 390, as follows:—

We are of the opinion that a multiplicity of small shops, in close proximity to one another, that are able to make a living—and a meagre living at that—only because they can take advantage of being able to observe unrestricted hours when somewhat larger shops in their vicinity have to close at specified hours, is not in the public interest. The public is generally not so well served by the very small shop, with its small range of stock and its high ratio of rent to turnover, as by the larger shop.

His Honour returns to the same point in Book of Awards, vol. xxvA, page 515. It is clear that he is seized of the mischief of inefficient distributive agencies from the point of view of public welfare, and there is no other person in New Zealand whose opinion is entitled to more weight on a matter such as this.

It is not easy, owing to the potency of the personal touch, to get rid of the petty inefficient distributor, and it is therefore important that no adventitious inhibitions on competition—such, for instance, as the price-maintenance policy of the P.A.T.A.—should be permitted to bolster him up in any artificial manner. Contrary to general opinion, the big department store is not eliminating the petty wasteful distributor; and, as will be seen from the New South Wales report, the relations between the P.A.T.A. and the large efficient establishments are the reverse of cordial, a fact which in itself speaks in favour of the larger unit from the point of view of public welfare. Many large department stores, indeed, have been forced to disestablish themselves into smaller units to meet the competition of the small business. It is germane to this P.A.T.A. problem to inquire into the inefficient conditions of retail distribution in New Zealand and elsewhere, and such inquiry will have to be undertaken if our boasted intention to secure greater national efficiency is to be more than humbug; but this point is somewhat extraneous to the immediate issue, and cannot be pursued further in this report.

In any case, any artificial stimulation of inefficient small establishments is a fact of grave significance. The competition of excessive numbers is not the life of trade: it is rather the death of trade and the injury of the consuming public, and its effects are stated in the Canadian report, pages 13–14. The elimination of superfluous establishments by the natural law of competition and survival of the fittest is an urgent social necessity, and on this ground the artificial assistance conferred on such establishments by the policy of the P.A.T.A. is contrary to public welfare.

An industry which requires but small capital to carry it on will encourage hundreds, or more likely thousands or tens of thousands, of individuals to engage in it. The great variety of circumstances and the great differences in individual skill of the numerous competitors make it likely that some few will be continually on the verge of bankruptcy, and that from time to time individuals will be failing under the pressure of competition. The elimination of these least skilful or least fortunately situated competitors, whose manufacturing [or retailing] is carried on at the greatest cost, does not produce any widespread depression in business, but serves rather to elevate the general average of skill in the industry. While the individual unfortunates may perhaps be sympathized with in their misfortunes, their loss is, after all, a gain to industrial society, since thereby the plane of production [or distribution] is raised.—(Jenks: "Trust Problem," pp. 28–29: the words inserted in brackets are mine and not those of Professor Jenks.)

Society must have some method of weeding out distributive inefficients, and should certainly resist all efforts to maintain them in business by artificial devices aimed at the purse of the consumer. If this is not done the overhead costs of distribution would become insupportable. The process of elimination reduces costs by gradually confining business to the abler and more socially useful men. It is a gain to society, and raises the plane while diminishing the costs of business operation. There is no avenue of activity where there is more fruitless and futile waste of social energy than in distributive trade, and where a continuously operative social purge is more needed; and it is precisely here that the competition which the P.A.T.A. desires to eliminate has the most beneficial effect, and where the elimination of competition would work the maximum of social damage.

The whole of social progress depends upon the substitution of qualitative for quantitative methods of consumption.—(Hobson: "Evolution of Modern Capitalism," p. 429.)