

The operations of the P.A.T.A. are expressly intended, on the admission of its advocates, to nullify this beneficial substitution, and by keeping inefficiently alive under the ægis of factitious price-maintenance the P.A.T.A. would detrimentally affect the community by the artificial prolongation of the business career of distributive inefficiently. It is in the public interest that able and enterprising men should be allowed full scope for the tendency to innovation and improvement in new methods of distributive activity and service.

(xii) The traditional benefits of competition need emphasis in this connection, as an element in the national character.

Competition has, and always will have, its place and value in the industrial process, but its form and sphere of action are changing. As the old form passes, much that was of value in it passes also, and, if the new order is to remain healthy and vigorous, equivalents will have to be found. Where there is a struggle for survival or supremacy among hosts of small concerns in the same line of business, each man knows what is to carry the responsibility of a business and to stand or fall by its success or failure. The incentives to effort are strong. Each has a direct personal interest in improving methods, eliminating waste, reducing costs, and striking out in new directions. There is wide diversity and ample opportunity for experiment. Initiative and resource are developed in large numbers of individuals. There is, without doubt, something of an evolutionary struggle, in which those well endowed with the qualities that make for commercial success survive, and the less competent, or worse equipped, or more sensitive go down and out. Again, the small man's independent business is a thing to himself, and, in a very real sense, a part of himself. The small business concern has personality. The employees of a small firm work for a person, and the relations between proprietor and workpeople, if not always cordial, are at least human relations. Business dealings with a smaller firm are dealings with a person, and there is little doubt that the personality of British industry in the past has been a powerful factor in its development. The type of character produced by these influences may not be wholly admirable, but it is, at any rate, strong, forceful, and self-reliant; and it is a commonplace that the great majority of those who are to-day organizing and directing "big business" acquired their ability and experience in "small business." As for the productivity of the competitive order, the enormous quantity and variety of goods thrown upon the markets of the world during the period in which competition was in the ascendant affords sufficient proof that, in its own time and sphere, individualism is not to be despised as a productive principle.—(Hilton: "Combines and Trade Organizations," pp. 6-8.)

As contrasted with this view, nothing could be more detestable than the contemplation of a group of men living by conspiratorial predation on the community, and deriving profits from robbery rather than service. The urgent need of the world to-day, and of New Zealand, is more and cheaper goods, and distributive effort is admittedly the sphere where the traditional advantages of competition retain most of their force and where monopoly does most harm.

(xiii) The few advantages claimable for monopoly do not apply at all in the field of distribution. Monopoly subject to social control is defensible in such fields as banking, transport, and communication, where duplication of service increases cost and may reduce efficiency, and perhaps also in some large-scale manufacturing industries where the economies of large-scale production are secured in a marked degree; but the field of distribution is extraneous for the most part to these considerations. The P.A.T.A. would, in fact, prevent the benefits of large-scale purchase and distribution from showing themselves in reduced prices, and actually would prevent rapid turnover, the essence of large-scale distribution, by artificially inflating selling-prices. P.A.T.A. methods, in fact, work against efficiency showing itself in lower prices, which is the sole justification, in other fields of business, for permission of combination. The very considerations that might be held to justify combination in some fields tell against it in distribution. No economist has ever, to my knowledge, defended the form of combination involved in distributive price-maintenance.

(xiv) The placing of articles on the P.A.T.A. list means the exclusion from the channels of trade of non-listed articles. This is admitted, and the prohibition of substitution contained in the constitution of the P.A.T.A. is designed to bring it about. This will mean that manufacturing progress and invention will be impeded or entirely arrested, according to the power of the P.A.T.A. New products cannot come on to the market because of the privileged position of those already listed. This would kill progress in quality of commodities. The protected articles, too, would soon deteriorate in quality or strength under the shelter of protected prices, because their market would be assured apart from any strenuous effort to maintain their vogue through the appeal of quality. This probable deterioration in quality in the case of price-maintained proprietary articles has been adverted to by all observers of the system. The manufacturer of the proprietary article bears the main cost of advertising them himself in the first instance, and he soon comes to rely for his sales on persistent clamour through the Press, the cost of which is ultimately paid by consumers, rather than by maintaining quality, of which, indeed, the consumer is seldom a judge, and to which he pays surprisingly little attention.

No observer of the existing system will deny that the matter of maintaining quality is a serious one. There is a constant tendency to nibble. Shoddy goods and adulterated goods are a great bane of modern industry. The jobber and the retailer press the manufacturer to lower his price, and play off one manufacturer against another. There are dealers who persistently suggest a shading of quality here and there—a bit of poorer material, a cheap ingredient, and all with the same fair externals: no one would notice the difference.—(Tausig, in Supplement to *American Economic Review*, March, 1916, p. 175.)

Consumers exercise but little rational choice in buying, while, on the other hand, the march of science and the conditions of modern production make adulteration easy to effect, difficult to detect, and impossible to sheet home to the actual culprit. . . . In these circumstances the consumer is powerless to protect himself.—(Murphy: "Outlines of Economics," p. 151.)

Apart from this tendency, there would be a virtual end, if P.A.T.A. conditions were universalized, to the promotion of new articles or the improvement of existing commodities, because the worried manufacturer, assured of a place on the protected list, would let moderately well alone, as he might not find it easy to get a revision of his price or description on the list, or get new articles on to the list, because of the opposition of other interested parties whose profits might thereby be placed in jeopardy. The tendency to inertia would have full sway.

The law gives no protection to the purchaser of a proprietary article, which he buys at his own risk without possibility of close examination. Under the Sale of Goods Act there is no implied warranty of its fitness for any purpose whatsoever.