of goods so as to yield a loss on their sale is admittedly objectionable, though, as already indicated, the retaliation of the P.A.T.A. would be much more prejudicial to the public interest.

(xix) So far from giving legal sanction to such a movement as the P.A.T.A., the State should place the burden of proof of social innocence on them strictly, as their objectives are *prima facie* anti-social and predatory. The State should also withdraw the benefits of the patent and trade-mark legislation from manufacturers and dealers who lend themselves to such anti-social practices. To ask for the legislation of such a monopoly as the P.A.T.A. seems to me effrontery *in excelsis.*

APPENDIX B.

Opinion given by Allan G. B. Fisher, Professor of Economics, University of Otago.

I attach below the opinion which I have formed concerning the proposed operations of the Proprietary Articles Trade Association. I have read the constitution and the proposed agreements of the association, together with the newspaper reports which have appeared from time to time; but it is obvious that any opinion suggested must be tentative, as the constitution is inevitably the merest skeleton of the association's programme, and a decision as to whether its policy is good or bad depends in part at least on the way in which the policy is to be carried out. I would, however, suggest the importance of the point that it is impossible, or at least unwise, to form an opinion concerning the association's work without considering at the same time the much wider problems which it suggests.

The association apparently aims at an organization of supply such that the articles controlled by it will everywhere be sold at a uniform price that will return to manufacturer, wholesaler, and retailer a "reasonable rate of profit." Nobody knows what a "reasonable rate of profit" is, and it is very doubtful whether it is possible to define a standard of reasonableness with even approximate exactness. The association proposes to achieve its object by cutting off supplies of all the proprietary articles concerned from retailers who sell below the prescribed rates; and it is argued that this is not only in the interests of the retailers who do not wish to cut prices, but also in the interests of manufacturers and of the public generally, because articles the prices of which are persistently cut are eventually driven from the market altogether.

It is no longer possible to argue that every price-regulating agreement is bad, for nobody seriously believes that unrestricted competition in prices would be in the public interest, even if it were possible. If we take a view extending beyond the interests of the immediate present, it is clear that prices under some circumstances may be too low, and that not merely from the point of view of the seller. Each case of regulation should be considered on its own merits, paying due attention to the broader principles involved in the decision. The bookselling trade has for some years been organized on the basis of fixed prices, and no one now suggests a return to the old unrestricted price-cutting. Similar agreements are believed to exist for the regulation of many other prices, and have reasonable grounds of justification. In most advanced communities competition in the hiring of labour is now systematically limited, and this policy is defended on the ground that it is in the public interest to divert the attention of employers from the reduction of wage-rates to the reduction of other production costs through the adoption of more efficient methods. It is rightly thought to be improper to allow inefficient employers to bolster up their position by paying their employees less than the prescribed wage-rates.

Similarly, it might be argued that the public interest is better served by agreement among retailers to supply articles at reasonable prices than by cut-throat competition, which causes frequent and unnecessary wasteful changes in marketing arrangements, and in which apparent economies to the consumer in the purchase of some articles is almost certain to be offset by the higher prices which he has to pay for others. A distinction would, however, be drawn between the retailer who sells some goods at low prices because he can make good his losses by higher prices elsewhere, and the retailer who can afford to sell more cheaply than his rivals as a result of more efficient organization. In the latter case the advantages of cheapness are real and not merely apparent, and it is in the public interest that such a man's position should not be rendered difficult. The abolition of the first type of retailer, which is the object of the P.A.T.A., is perhaps desirable; but if the methods proposed for dealing with him involve the disappearance of the second type also the advantages to the public are much diminished, for in the case of a retailer who is prohibited from lowering prices it is not so clear as in the case of the employer who has to pay standard wages in what direction his greater efficiency can give him the advantage which it is in the public interest that he should receive. It appears (though I have no conclusive evidence on this point) that the association is intended in part at least to protect the small retailer from the competition of large-scale firms or chain stores, such as now seem to have a firm hold in most large cities. The complaints of the "small" business man always arouse a certain amount of sympathy, and it may be argued that, quite apart from purely economic considerations, there are social advantages in encouraging his survival. But though the pressure of larger units may cause him grave inconvenience, which the public generally ought not to ignore, it is often as difficult to attach any precise meaning to the "unfair competition" of which he complains as it is to the "reasonable rate of profits" for which he asks. Very often "unfair" merely means "unpleasant," and what is unpleasant to the small retailer is not necessarily harmful to the rest of the community. It is now a commonplace to remark on the excessive costs of modern distribution and the extraordinary growth of small retail establishments of all kinds. Though this, like most popular impressions, is probably much exaggerated, there seems to be solid ground for the belief that the work of distribution is more wasteful and costly than it need be. There is, however, a good deal of popular support, both sentimental and otherwise, for the small independent business unit, and the