covered by the association's operations are, I presume, imported articles, and New Zealand forms but a very small part of their market. For locally manufactured articles stable prices might be an advantage to the manufacturer, but stable prices at a level higher than the existing level would almost certainly entail a reduction in sales, and hence in production. Further, the plan appears likely to narrow the channels through which articles are to be distributed to the public, and it might also narrow thereby the market for those articles.

4. *Disadvantages of the Operations of the Association.*—The disadvantages resulting from these operations appear to me to outweigh the advantages. The stated object of the association, to prevent price-cutting, would almost certainly take away from many retailers who, by reason of their organization and efficiency, can handle goods more economically and therefore sell more cheaply, and place that trade in the hands of such retailers as are willing to observe the conditions of the association, and who, owing to different and usually less efficient organization, are able to handle goods less economically, and can therefore afford to sell only on a wider margin of profit. In effect, the aim of the prevention of price-cutting is the elimination of price competition, and price competition appears to be essential to economy in distribution and to progress.

(*a*) *Distributive Organization.*—Under free competition of prices the traders who can distribute goods most economically can undersell their competitors, and therefore lead the market and secure most of the trade. Less efficient and less economical organizations for distribution of goods tend to be forced off the market or to be weeded out. It is through the operation of competition mainly that society is enabled to make use of "that most invaluable agent of progress, the scrap-heap."

The elimination of competition in prices, too, tends to mean that the existing distributive organization would be stereotyped and become stagnant. The costs of distribution of goods in New Zealand are at present almost certainly much too high, and there is much room for improved organization in the direction of more economical and cheaper distribution. Given competition and free enterprise, there is always some incentive to change, experiment, and progress towards better methods and organizations, and always a reward for success in achieving improvements. The elimination of price-cutting tends to remove both the incentive and the reward of progress. It even serves to protect inefficiency in distribution by securing the same rate of profit for the efficient and inefficient businesses, and it would almost certainly entail higher ultimate charges to the consumer.

Probably every economist would endorse, as of universal applicability, the quotation on page 26 of the Canadian report on the P.A.T.A. :—

> Marketing methods have been continually improved through the competitive attempts on the part of manufacturers and distributors to find better methods. Marketing channels and methods are not cut-and-dried. There is continuous experimentation. In some cases trade associations have attempted to block changes in selling methods. Manufacturers have been boycotted by jobbers, for example, because they have attempted direct sale to retailers. This is not right. Progress in marketing methods can be made only under a regime of free competition whereby each producer or middleman is free to try new methods. Artificial restraints are to be condemned.

I regard this passage as applicable in every way to New Zealand conditions, and the points raised therein should certainly receive full consideration by the Committee of inquiry into the plans of the P.A.T.A.

(*b*) *Consumers.*—The effect of the operations of the association on the consuming public appears likely to be directly contrary to their interests. Price-stabilization, the prevention of price-cutting, &c., almost always means the fixing of prices at a level which will give fairly generous profits to distributors, and which is usually well above the competitive level. In this way the burden of extra profits, as well as of maintaining a distributive organization which is presumably less economical than a competitive organization, is thrown upon the consumers. At the present time the general trend of prices in many retail lines appears to be downward. There has been for some years a marked disparity between the wholesale price-levels of many of New Zealand staple products and the retail prices of many articles of consumption. Mass production in other countries, and increasing competition in local marketing, appear likely to depress the prices of these consumption goods to a level more easily reached by the local purchaser. But it is a common feature of market history to find in times of keen competition and falling prices, which are to the interest of the consumer, concerted efforts made by groups of producers or traders to maintain a high level of prices for their goods, though that high level be directly opposed to the consumers' interests.

(*c*) *The Monopolistic Tendency of the Association.*—The New Zealand Cost of Living Commission, which reported in 1912, recommended, after a thorough survey of factors affecting the cost of living in New Zealand, that the Commercial Trusts Act should be widened to embrace all commerce, that it should be made illegal for any combination of traders to arrange selling-prices to the retail trade or the public with a direct or indirect penalty for refusal to observe those prices, and that it should be an offence to make it a condition of sale that goods must be sold at prices fixed by the vendor. (See H.-18, 1912, p. xci.) Here is a clear expression of expert opinion regarding the advisability of preventing price-fixing and maintaining competitive prices. The Commercial Trusts Act, 1910, is equally definite. A commercial trust means, *inter alia*, any association having as its object that of influencing the price of any goods, or maintaining any monopoly in the supply or demand of goods (sec. 2); and every person commits an offence who becomes a member of a commercial trust (sec. 3). A schedule, however, limits the application of this Act to certain classes of goods. It laid down a principle very definitely and then limited its application. It is difficult to understand the limitation, for the general principle, if applicable in the case of human foodstuffs, &c., is surely applicable elsewhere.

The principle of maintaining competitive prices as far as possible is an essential part of our economic system, which relies very largely on competition to secure the most economic allocation of our resources amongst different uses in production and marketing, and to maintain both prices and profits at the lowest level for which men can be found willing to render the necessary services. This