

In the illustration No. 1, where the percentage of gross profits is reduced from 30 per cent. to 25 per cent., an all-round increase in selling-prices of $7\frac{1}{2}$ per cent. would be necessary to provide for cut prices on some lines and sale prices on others and show the usual average profit on the returns. In the second illustration an all-round increase on the selling-prices of 10 per cent. would be necessary to show the usual average profit on the returns.

It may be argued—in fact, it is argued—that the extra business more than makes up for the deficiency in profit and that the extra business is found money. The argument, however, is fallacious and does not work out in practice, as some traders have already found out to their cost.

In the first instance, in the event of a firm taking on the cash-order system a fair proportion of the firm's own customers would be induced by clever advertising and plausible canvassers to go over to the new system. For every customer that did so it would mean a direct loss of profit amounting to $12\frac{1}{2}$ per cent. or 15 per cent. as the case may be. Secondly, if the system caught on, as it has in two or three centres in New Zealand and in most parts of Australia and Britain, it is only a matter of time when all traders in that particular line of business will be compelled to adopt the system in self-defence, or see their businesses gradually leaving them and going to their rivals. They would be compelled to adopt the system however much they might be opposed to it.

If one or two firms only in a trade adopted the system and the others held aloof they would undoubtedly, for the time being, increase their trade at very little extra cost, and the extra money would be found money; but business people nowadays are not so conservative or so stupid as to stand idly by and allow their trade to be filched by their opponents in the manner described. If one or two adopt the system others are compelled to follow suit. In the end all are in it, to their detriment, unless the public can be made to pay the piper, and even then they are no better off.

The purchasing-power of the public is limited—cash-order trading certainly cannot increase it. The community has a certain amount of money to spend: this amount is divided among the traders in accordance with custom, and if all the traders adopt a new method of trade and all go together, the same distribution of trade will remain; no one firm will be the gainer.

The case is on all-fours with an incident which took place in New Zealand some years ago. There were six wholesale warehouses in the same line of business; they each had seven travellers on the road and each traveller had a round that took him six weeks to complete. The manager of one of the firms reckoned that he could get ahead of his competitors by putting two more travellers out and doing the round in four weeks instead of the usual six. He did so, and scored a point; but it was short-lived. His competitors very soon discovered the move and followed suit. The result was that the whole six warehouses were compelled to employ the two extra men; the trade returned to its old position in so far as the distribution of it was concerned, and all the warehouses were burdened with a permanent recurring cost of two extra travellers without any gain whatsoever. The same is happening with cash-order trading. Where it is initiated it is only a question of time when all shopkeepers will be compelled to adopt it also, with the same result that the distribution comes back again to its old proportion and none are better off. By increasing their selling-prices, as they must do, they save a loss, but the public have to pay for it by way of a material increase in the cost of living.

As the outcome of the rationalization of industry which is taking place throughout the world of trade, retail traders have been resolutely banishing discounts, and had practically wiped them out with the exception of a $2\frac{1}{2}$ per cent. discount on straight-out cash transactions. Now the cash-order trading has been originated, and discounts are brought back again in a more evil form. The system is not so fair as the old trading-stamp system which the Government of New Zealand put down by legislation before it got a stranglehold on trade. Could a plebiscite be taken of the retail traders of the Dominion it is a certainty that its abolition would be carried by an overwhelming majority, and if the public knew of its many ramifications they would not hesitate to boycott it. That the system encourages people to overbuy and run themselves into debt cannot be gainsaid. It encourages extravagance and the buying of more expensive articles than many of the purchasers can afford. A retail clothier writing from a town in England states that "If a customer comes in for a suit of clothes for which he is prepared to pay cash he is willing to pay up to £2 10s. or £3 for it, but if he has a cash order he will go up to £5 or £6 for it." This illustration can be taken as typical of the system.

The most unfair feature of the system is that the careful thrifty buyer who pays cash is penalized in that no differentiation can be made in his favour as against the person who seeks credit and payment by instalments through the cash-order system. This is opposed to all the principles of fair trading, and should, if possible, be put a stop to. It is largely on this account that the system is so roundly denounced by economists all over the world. The system is also building up a class of undesirable middlemen who, unrestricted, live as parasites on the traders to exploit the public. They charge the customer from 5 per cent. to 7 per cent. on the money lent, which is, of course, an increase on the selling-price; they then demand another $12\frac{1}{2}$ per cent. to 15 per cent. discount from the trader, who, unable to give it on his ordinary prices, is compelled to advance them, as mentioned in the foregoing, to make good the deficiency, the whole community paying alike the increased cost.

It is estimated that in towns where the system is in full swing the ordinary public pay on account of the system from 5 to 10 per cent. more than they would otherwise do, and the clients of the system the 5 to $7\frac{1}{2}$ per cent. commission charged by the cash-order company over and above the trade discount. In other words, the cash buyers are mulcted by the system to the extent of from 5 to 10 per cent., and the cash-order patrons to the extent of from 10 to $17\frac{1}{2}$ per cent.

As stated before, the term "cash-order trading" is a misnomer, as it leads the public to believe that they are buying the goods at cash prices, whereas they are paying the prices of a credit or money-lending system. Legislation should be enacted making it a punishable offence to use the name in respect of that particular kind of trading. "Coupon trading" would be a fairer term and not so misleading. The system is a credit system of an iniquitous character.