

up, due to the increased price of leather and the advance in cost of labour. In this line manufacturers' profits range from almost zero to a maximum of 17 per cent. In staple goods the same conditions were found. Raw material and labour have brought manufacturers' costs to a full 100 per cent increase in many cases, and on the whole the specific profit on the goods is a small factor in the cost to the ultimate consumer. Two cases, however, came to the notice of your Committee in these two lines of commodities, where in their judgment excessive profits were taken.

12. Coming to the matter of distribution in these lines your Committee found a greater spread and the cost of doing business under present conditions imposes a heavy burden on the consuming public. In the case of boots and shoes the goods go largely direct from the factory to the retail stores where an average spread of from 30 to 50 per cent is made for staple lines and a much higher one in special lines. In this connection your Committee desire to point out, that in all the evidence before them relating to manufacturers and retailers it was made abundantly clear that the special or exclusive style of footwear demanded by the public tends to increase the cost in a very marked degree. It was pointed out for instance by one retailer whose gross margin was the lowest that came under our review that on thirty pairs of special ladies' boots in stock in 1918 only two pairs were sold in the regular way, and the remaining 28 pairs had to be sacrificed at a price less than cost. This instance might be multiplied many times in every retail store investigated.

13. In staple goods such as woollens, cottons, etc., the spread from the factory to the retailer is about 75 per cent, namely, 15 to 25 per cent to the wholesaler and an average of 50 per cent to the retailer. In the main the evidence shows that notwithstanding these high gross margins the net profit is small when computed either on capital or turnover. It does seem, however, that these costs of doing business are high. The elements entering into these high costs are rents, municipal taxes, and labour, and in investigating these your Committee found that in one place where rent counted for 5 per cent of the total turnover the gross rent value yielded on the property only produced 5 per cent on the assessed value.

14. *Fuel.*—In the case of fuel your Committee were able to investigate actual conditions in two cities only, but have closely checked the records in the Department of Labour and the Bureau of Statistics collected for the Fuel Controller, wherein it was found that a marked increase in the price of coal was due to (a) increased cost at the mines; (b) transportation; (c) distribution; and that the margin of profit in the cases investigated were very small.

15. In respect to leather, rubber goods, building materials, plumber's supplies, general hardware and house rents your Committee regret they had not time to enquire into these matters.

#### CONCLUSIONS.

16. While before the war there was a steady rise in the price of commodities, during the war a greater advance in prices occurred, and all indications point to goods remaining for a considerable time, if not permanently, on a higher price level. Scarcity of material, and destruction due to war have partly caused this rise in price, but even more, the expansion in currency and credit have caused a general money depreciation, and as values or prices are expressed in terms of money which is really a quantity of counters, the doubling of the number of counters and the lessening of the quantity of commodities give a resultant higher price. It must be remembered that the expansion of bank credits has been proportioned to the increase in the prices of production and that the banks were called upon to furnish immensely larger sums to facilitate trade than in the period prior to the war. Huge dealings have been made possible to companies with comparatively small capital by a generous policy of credits on the part of the banks. The accumulation of reserves by the trading corporations of the country is a means of making us less dependent upon foreign borrowings and putting our business on a sounder basis and no proper criticism may be directed to the policy of thus increasing the capital employed in business.