

FIXING PAPER PRICES WRONG PRINCIPLE

Montreal Writer Analyzes Effect of Government's Action in Newsprint Trade

To the security owner, and for that matter to Canadian business generally, the most important event of the month is the proposal of the Dominion government to impose upon the manufacturers of news print the necessity of serving Canadian publishers with their requirements of paper at not more than 2½ cents per pound, as compared with the open market price of 3 cents and more. This restriction has been imposed as a war measure under the authority of an order-in-council.

The importance of this step lies not so much in its effect on the profits of the manufacturers of newspaper, however large or small such effect may be, but it lies in the establishment of a precedent for the arbitrary deviation by our government from a principle which has always been regarded as one of the foundations of our industrial and financial system—the principle of non-interference with the law of supply and demand, states Mr. R. D. Bell, a well-known writer, in Messrs. Greenshields & Company's monthly review.

The acceptance of the government's right arbitrarily to fix the price of a commodity, save in the case of some great national emergency, such as exists to-day in Great Britain in regard to the food supply, might lead to the disorganization of our entire commercial situation. The gravity and significance of this action is not generally appreciated or understood because the newspapers being the chief beneficiaries, have, with a few shining exceptions, either ignored or misrepresented the matter.

Bad Economics to Abrogate Law.

The abrogation of the law of supply and demand by the fixing of commodity prices, save in an extremity, to avert famine or disaster, has been recognized as bad economics by all students of public economy since Adam Smith. For those manufacturers or distributors who by combination or conspiracy interfere with the natural working of this law by raising prices for their own benefit, there are measures in nearly all countries which can be invoked to prevent and punish.

On the same principle have the many agitations which have sprung up from time to time for regulation by the government of prices of such a commodity as wheat been frowned down and cast aside. It has been recognized that such action is wrong and dangerous whether for the benefit of the producer or the consumer.

In the last twelve months prices of practically all commodities have risen tremendously. Increases of from 25 per cent. to 100 per cent. in many articles of public necessities are common.

Among these commodities are such essentials of life as food, clothing and fuel. By the poorer class great hardships are being faced to-day as a result of high prices for such things as these, which are required to keep body and soul together.

War Emergency Not Involved.

No attempt has been made here to fix the prices at which these commodities should be sold. The government has very properly refrained from such a step in which it would have no justification unless to avert some great disaster such as famine. Even then it would be considered by economists a step to be taken with great caution, because of the danger of throwing the machinery of production and distribution out of gear and preventing the inevitable natural decline in these high prices. The increased profits which high prices render possible to producers always automatically stimulate greater production and thus provide sufficient supply of the commodity to bring about the desired price reduction.

The Canadian government has until this month wisely recognized that it should not interfere with this economic law, even though the people are directly affected and may have temporarily to go hungry, poorly clad or cold.

In view of this it had caused not a little astonishment that the government should in one respect alone have recently swerved from this principle and proposed to fix a maximum for a commodity, the high price of which cannot seriously affect the safety of the public in any way and which cannot involve the question of a war emergency.

Here and there the newspaper, generally recognized as intrinsically the cheapest thing on earth, has been raised in price from 1 cent to 2 cents, but even were its price to the

average man quintupled, its cost would not be considered excessive in relation to its value, nor would such an action cause suffering to the public at large.

Were the present high price of news print the result of any illegal conspiracy or combination on the part of the manufacturers, the government could immediately find a remedy under the combines act. It is not seriously pretended by the government or any disinterested observer, however, that such is the case nor could it be so pretended as the price of news print paper is fixed in the American market, the largest consumer of news print in the world, where Canadian and United States producers are in free and open competition.

At the present time the open market price is 3 cents per pound, as compared with a price of 2 cents per pound which obtained previous to last year. The increase is due to the enormous increase in the consumption of paper; the elimination of the foreign supply, as a result of the war; the rapidly decreasing supplies of pulpwood and forest resources in the United States and the largely increased prices of every item entering into the manufacture of the commodity. In just the same way, the present price of wheat is high on account of the decreased supply and the increased demand together with the increased cost of producing; in the same way are the prices high for coal, clothing, iron and steel and practically every commodity of common use.

Safety of Invested Capital.

With the prices of such commodities as these, the public welfare and safety are far more concerned than with the price of news print. It is a very small section of the public, simply those who are proprietors of newspapers, that are served by the government's recent action. Even the consumers of other classes of paper, such as wrapping, which have advanced far more in price than news print without government interference, constitute a far greater unit in the population than the publishers.

If it is possible for any particular class, powerful enough, to secure the abrogation of the law of supply and demand, at the expense of some other class, not so powerful, any Canadian industrial and financial interest may be put in jeopardy. The safety of invested capital made subject to impairment and far-reaching disturbance invited to the stability of the country's commercial position.

RAILWAY EARNINGS

The following are the weekly earnings of Canada's trans-continental lines during February:—

Canadian Pacific Railway.

	1917.	1916.	Inc. or dec.
February 7	\$1,800,000	\$1,876,000	+ \$ 14,000
February 14	2,180,000	1,912,000	+ 268,000
February 21	2,225,000	2,093,000	+ 132,000

Grand Trunk Railway.

February 7	\$ 928,462	\$ 937,937	— \$ 9,475
February 14	828,671	957,195	— 128,524
February 21	956,487	949,490	— 6,997

Canadian Northern Railway.

February 7	\$ 493,600	\$ 429,400	+ \$ 64,200
February 14	602,000	453,100	+ 148,900
February 21	598,700	559,000	+ 397,000

The Canadian Northern Railway's January statement is as follows:—

	1917.	1916.	Increase.
Total gross earnings ..	\$ 2,832,600	\$ 2,086,800	+ \$ 745,800
Operating expenses ...	2,350,500	1,831,400	+ 519,100
Net earnings	482,100	255,400	+ 226,700
Aggregate gross earnings from July 1st	24,464,100	19,438,400	+ 5,025,700
Aggregate net earnings from July 1st	6,778,200	5,779,900	+ 998,300

Mr. D. M. Neeve, of the Union Bank, Winnipeg, when leaving to take up his new appointment at Toronto, was presented with a silver cigar case containing \$800, by the business men of Winnipeg. Mr. Neeve has a splendid reputation and was highly regarded in Winnipeg.