

PROBLEMS OF THE ULTIMATE CONSUMER IN CANADA.

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POLITICAL ECONOMY TITLES

PROBLEMS OF THE ULTIMATE CONSUMER IN CANADA

Chapter 1 - Introduction.

"Consumption is the sole end and purpose of production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer". Thus spoke Adam Smith, generally considered to be the founder of the modern science of Political Economy, in the last quarter of the eighteenth century. Nevertheless, as Smith went on to say, the consumer's interests are nearly always sacrificed to those of the producer, and, instead of consumption, production seems to be the ultimate object of any business, trade or industry. (1)

Even previous to Smith's time, however, there were consumer problems. The necessity for consumer protection was recognized in the Middle Ages, as illustrated by the guild stipulation that cloth should be the same quality in the centre as at the edges. In this mediæval economy, however, production tended to be local, and restricted to local needs. Commodities were made to the order of specific individuals and not to meet a general demand. There was none of the impersonality which is present today in modern mass production and merchandising. By the end of the eighteenth century, however, production and the interests of the producers so dominated consumption and the interests of the consumers that Smith protested against it as noted above. His remonstrance, however, was futile and the scale and influence of production grew steadily, hand in hand with nationalism. The general opinion held at that time was that scarcity would disappear only if production were permitted to go unchecked. (2)

In the minds of the classical economists, the consumer largely determined the direction and tempo of economic activity. This was effected through adjustments in the price structure, caused by his buying or refraining from buying certain products. The consumer was supposed to be the ultimate arbiter of economic policy. If the price of an article were too high, the classicists reasoned, the consumer would stop purchasing that article, until its price had been lowered to its proper level, and vice-versa. Granting that this thesis had a certain validity in the days of small and localized enterprise when economic activity was largely carried out in the market place, it must be admitted that it has broken down completely under the methods of large scale production and merchandising which have developed during the last century and a half. (3)

Several factors have contributed to this breakdown. The increasing concentration and control of production has greatly decreased the influence of the consumer over economic enterprise. As a general rule the prices of the commodities he desires are set in advance by the producers and if he does not want to pay those prices he usually has to do without the articles. (4) No longer are prices of goods determined by the competition of seller against seller and buyer against buyer in the open market place. Although this method of price adjustment still has a place in theory it has little place in practice. Instead, under present conditions of buying and selling the small seller finds himself at a disadvantage as against the large distributor, and the individual buyer as against the organized producer and merchandiser. (5) Thus the consumer is put in an increasingly unfavourable bargaining position and is forced to pay the price fixed by the large organized

seller or do without many products.

It was not until the last decade that consumers began to appreciate the tremendous influence which large scale enterprise exerts upon both the prices and the qualities of goods. Since big business is organized and in a position to make its influence felt upon governments, the latter have thrown their support behind big business and have largely disregarded the consumers who were supposed to be adequately cared for by their privilege of buying or refraining from buying and by certain general enactments setting up bureaus of standards prohibiting adulteration, etc.. The abstract everybody which is the body of the consumers is in point of political influence nobody. Business men, by arguing that only general business prosperity can add to the general welfare, have persuaded the consumer that they know what is best for him and have usurped the right to speak on his behalf. Actually, of course, this usurpation has not been boldly announced nor generally recognized. Thus the confusion of the consumer has proceeded more rapidly than his education as a buyer. (6)

Gradually, however, the consumer has had his eyes propped open, largely through the work of such men as Stuart Chase, F.S. Schlink and Arthur Kallett, who were responsible for writing "Your Money's Worth" and "100,000,000 Guinea Pigs". Only now, after five or six years of severe depression, is the consumer beginning to wake up completely and keep his eyes open of his own accord. No doubt he is still perplexed. Why shouldn't he be, when he is confronted with the problem of making choices from among the thousands of articles he may buy in a modern department store, especially when he has no means of knowing each product's relative worth? Present day methods of merchandising and advertising only serve to confuse him further. Although he knows that he is often exploited and

forced to waste his money, he blindly makes his purchases and takes a chance that he will not, in the parlance of the street, be "gypped". It is then that the problems of the consumer have arisen, and it is now time to proceed with a more detailed examination of their nature. (7)

In many ways, the consumer is at a disadvantage under the present economic system. Although he has profited from economies resulting from large scale production and large scale merchandising and by the increased diversity of products offered for his approval, he no longer knows what nor how to buy. The quality of the commodities he buys and the price he should pay for them are quite unknown to him. In addition to this, he is at the mercy of any manufacturers or merchants who, by organization or agreement, curb the competition which is supposed to be his chief protection against exploitation. (8) In considering the loss which he suffers from any such monopolistic tendency account must be taken not only of the excess price paid but also of the inferior qualities of the products he buys.

Monopoly, however, is only one example of exploitation of the consumer. In the evidence taken by the Royal Commission on Price Spreads, many practices prevalent in the fields of manufacturing and merchandising were disclosed which are contrary to the best interests of the consumer. These include--false and misleading advertising, marking and labelling, adulteration, short-weighting, deceptive packaging, substitution of cheaper or inferior goods, harmful or poisonous ingredients, and exorbitant prices for branded products which are basically simple and inexpensive. Some of these practices are definitely illegal, but all must be considered unfair. (9)

The present complexity and variety of goods offered for sale has so bewildered the consumer that he is practically helpless. Some simple chemical mixture, merely by the addition of a high sounding brand name, may sell at exorbitant prices. (10) The contents of a bottle of that popular moth-proofing spray, Larvex, for instance, are produced at a total cost of less than 1/- and yet they sell at 79/- per bottle. (11) Some popular commodity may be positively injurious to health. An example of this type is Pepsico tooth paste, a tube of which, when eaten, served as a means of suicide for a German officer ^{before} in the war. (12)

In spite of this increasing multiplicity of commodities, however, the consumer has no standards and no standard ratings of grade or quality to assist him. To be sure, industry and government use standards in their own purchasing, but none of these standards, even those used by the people's representatives, are passed on to the consumer. At present, practically all standards are made for the benefit of the producer, and not the consumer. (13)

In company with the great growth in the number of commodities has come also a corresponding growth of brands and trade names which convey to the consumer practically nothing as to the quality or the relative value of the products offered. The consumer's inability to obtain information about these branded articles has led to a great deal of misrepresentation.

The prevalence and degree of misrepresentation is not generally realized. Only in the last decade have students begun to grasp the full extent of the wastes resulting therefrom. The reasons for the failure to investigate the problem sooner have been three in number.

consumers as buyers, and therefore inspection and experience were considered adequate means of identification and comparison for both classes of buyers. It was not generally realized that under modern conditions inspection and experience do not provide adequate protection for the consumer. Second, the matter was often dismissed with the statement that consumers were ignorant and gullible, and therefore were a legitimate prey for designing producers. Third, it was assumed that women, who were the main buyers for consumption purposes, were economic imbeciles and could not be educated. The more subtle forms of misrepresentation, such as inadequate labelling and grading, were not even noticed. The blame for the waste attributable to misrepresentation must be put on the shoulders of the twentieth century producers, since the waste has grown both with the increasing variety of goods and with the expansion of competitive advertising and salesmanship. (14)

Hand in hand with misrepresentation goes the stimulation of false wants. Although producers claim that they give the consumer only what he demands, the prevalence of deliberate obsolescence, constant new styles and high pressure advertising shows that the class in control of the productive process nevertheless does its utmost to stimulate in the consumer unthought of wants. Instead of playing upon susceptible human nature in this manner, producers should offer to the ultimate consumer goods which are controlled by his desires. (15)

The device by which a great part of this misrepresentation and stimulation of false wants is carried on is advertising. The barrage of advertising reaching the consumer from newspaper, magazine, radio and billboard is not so much concerned with telling him the quality of the product he buys, as with persuading him to

purchase, not necessarily what he wants, but what the manufacturer wants him to want. Therefore in many cases the consumer must buy things about which he knows little, but the manufacturer all. (16) When buyers read or hear about goods, they read or hear only what the advertiser wishes them to know, and little or nothing which helps them to seek or avoid certain specific qualities.

At present, the consumer understands little about the principles of merchandising and the qualities of the goods he buys. Unlike producers, the consumers have no organization supplying them with authoritative information, and therefore they cannot exercise intelligent judgment in the selection of goods.

In addition to the above flaws in the present capitalistic system of production and distribution, the direct influence of the consumers upon price and production policies has been steadily declining. Of course, they still have some small share in determining these policies. For instance, if the producers set prices, the consumers can more or less set volume; if the producers set volume, the consumers can more or less set prices. Thus the producers now have the power, within limits, to choose between holding price and holding production, a power which has certainly decreased the control previously exercised through the market by consumers. This often leads to short sighted policies of seeking excessive profits, limiting production, or delaying the adoption of new scientific improvements. The institution of price and production policies in practice is in the hands of the producers without much influence on their decisions by consumers. These decisions, whether effected through price or output, are carried out in the producers' interests. They should, however, be determined in the consumers' interests, if the full potentialities of our economy

are to be realized. (17)

Having now summarized some of the major ways in which the ultimate consumer is exploited, there remains one more important distinction which must be made before proceeding to the more specific and detailed parts of this thesis. The distinction to be recognized is that between the points of view of the producer and of the consumer. Practically always the viewpoint of the former has been accepted, when there has been no reason for not equally accepting the viewpoint of the latter. To the person adopting the point of view of the producer, the economic process is in reality one of producing that amount of goods selling at the price which will give the maximum profits, and this process may take the form of producing scarcity instead of goods. The person adopting the point of view of the consumer, however, will always produce goods, never scarcity.

Under conditions of small scale production, the producer viewpoint was made relatively harmless by the competition of producers and the freedom of choice of consumers. Under large scale production, however, these conditions seem to have disappeared. It must be realized that the producing of goods for profit is only an incidental matter, and that the basic function of the economic process is the getting of goods and services of good quality to the people at a minimum cost. (18)

Having grasped this essential fact, it can be seen how the consumer has been neglected in theory as well as practice. While he tries his best to exchange his limited income for a maximum of goods and services, he is seldom considered by the producers. It is proposed in this thesis to investigate the manner of his exploitation, and to this end attention is now drawn to an examination of the existing methods of retail distribution and their effects

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Chapter 11 - The Effects of the Existing System of Retail

Distribution Upon the Consumer.

In beginning this chapter, it would perhaps be well to make a brief explanatory comment. This thesis was originally inspired by a reading of the Report of the Royal Commission on Price Spreads, published in 1935. It was the exposé in that report of so many evils that prompted the writing of a thesis on the consumer. As the most recent and authoritative work on the subject in Canada, the evidence given before the Parliamentary Committee and the Royal Commission on Price Spreads on the effects of the system of retail distribution upon the consumer will, therefore, be thoroughly analyzed in this chapter with, of course, references from other sources.

The primary problem in the field of retail distribution as far as the consumer is concerned is whether the chain and department stores on the one hand, or the independent stores on the other, give him the greatest value in the long run. Therefore a brief glance must now be taken at the idea underlying the methods of operation of the giants in the retail trade."

The idea behind the chain stores was to group together the buying requirements of a number of separate stores, strategically located, in order to serve consumers cheaply and yet profitably.

"As for all practical purposes the general principles of the chain and department stores are the same, although admittedly there are great differences in management and operating features, it will perhaps save time if a comparison is made only between the chain stores and the independent stores.

As "profitably" was the more important of these two words, the chains have added new lines of merchandise to their stocks only when they were fairly sure of making a profit by doing so. (1)

In this and other countries the chain store system of merchandising, with its highly centralized buying, advertising and selling policies, has sprung up within the last ten years. At first glance, it seemed to provide the means of correcting the flaws in the existing system of distribution, by eliminating the middleman and thus reducing the spread in prices between the producer and consumer. The comparatively few chain organizations have, however, concentrated the flow of millions of dollars worth of merchandising annually through their own hands. This concentration has given them enormous power for the carrying on of mass buying, "intriguing" advertising, and massed finance, against which the unorganized and uninformed producer and consumer can do little. (2) Naturally the consumers should be interested in preventing this concentration insofar as it tends to exploit them.

Walter S. Hayward very neatly summarized the difference between the policies of the chain and independent stores thus--"all secondary considerations put aside, the chain store sells on a price basis, the independent grocer on a service basis." (3) A comparison will now be made, therefore, between the services offered to the consumer by the chain and by the independent.

The first point of contrast between the services offered by the two types of stores is in the range and variety of goods offered to the consumer. The general conclusion is that the chains, because of their greed for profit, largely specialize in handling swiftly moving staples and branded articles, leaving the independent to stock the slower moving and less profitable lines. (4)

Thus the independents keep for the convenience of the consumer a

wide range of goods which do not appeal to the chains because of the smaller demand. (5) There is, however, in the chain stores a wider variety of the goods actually carried by them than obtainable in the independent store.

Next comes the matter of credit policy. Does a certain store extend credit to its patrons, or does it demand cash payment for its commodities? It is a well-known fact that credit is more easily obtainable at the independent store than at the chain. In fact, several chains, such as Loblaws and Carrolls, have been founded on the cash and carry policy. Thus, since the independent store has to grant credit, its costs are increased, and consequently its prices to the consumer must be higher than those of a chain store, which is conducted on a cash basis. Of course, as Mr. Sams, the president of the J.C. Penney Co., points out, (6) the chains save their customers money by their policy of selling and also buying for cash. Buying for cash, for instance, often results in discounts which can be passed on to the consumers in the form of lower prices. Some customers will not patronize the chain stores for the very reason that they must pay cash there. These customers, when hard pressed, go to the independent store for credit, and, if they do not pay their bills, the independent suffers further losses which add to his prices. A great many of such losses, however, could be avoided by a little tighter credit policy on the part of the independents. In spite of the fact, that the public has been educated to believe that the cash and carry policy of the chains saves them a great deal of money, there has been a tendency in the last few years for the chains to add certain other services, conspicuous among them being delivery and often the granting of credit, with the result that mounting costs have to a large extent overtaken the savings supposed to arise from their previous policies. (7)

The cost of credit and delivery of course, has narrowed the spread in the cost of operation between the chain and independent stores despite the fact that with the chains, the extension of credit has been on a highly selective basis with the exception mentioned above of the rather loose policy on the part of some independent merchants.

Because of the more rapid turnover of goods in both the stores and the store-owned warehouses, the chains are able to maintain freshness of goods.(8) The independents have come to appreciate the advantages of this method of organization and some have formed associations with common warehouse facilities. Here again, conditions are tending to become equal. Although sanitary conditions have improved greatly in both types of store, improvements can still be made for the benefit of the consumer. For instance, a sticky and perishable commodity like dates is often left in a box and weighed out in bulk as needed, instead of being immediately packaged upon its arrival at the store. This criticism can be applied to many chain and independent stores. Freshness and cleanliness of goods can also be improved by faster and better methods of transportation, and by the putting up of certain products in attractive packages.(9)

It has been argued that the chain stores have their goods more attractively displayed for the customer than have the independents, (10) but it is a fact easily proved by observation that the display of goods in any modern, efficient independent store may be just as effective as that in a chain.

One of the things most widely regretted with the growth of the chain stores is the disappearance of the personal service element between the store clerk and the customer. Whereas the owner of an independent store usually teaches his salesman something about the products they are selling, the chain store clerks, who are constantly changing, know little or nothing about the commodities which

they sell. In addition, the personal friendship which often existed between the independent owner and his customer has disappeared in the chain. The late T.P. Loblaw admitted this in 1931 (11) when he stated that "personality and sentiment in business have been replaced by quality and cleanliness, and a confidence that the price is right." How much this loss of the personal touch should be regretted it is difficult to say, as the value of such a service depends largely upon the nature and character of the person involved. Personally, the writer does not see why every independent retailer could not adopt the modern efficient methods of his chain competitor and still keep a personal relation with his patrons. This is, in fact, what the more progressive ones are doing.

To sum up, we may say that the independent merchant does offer more service than the chain, which stresses lower prices. Such services must be paid for, and therefore the prices of the independents' goods will be increased proportionately. (12) It is worthy of note, however, that the number of such services given by the independent and not by the chain is rapidly decreasing, and as this change proceeds a corresponding narrowing in the spread between the prices of the chains and the independents is to be expected.

In which type of store may the consumer buy more cheaply? It must be admitted that in the last five or six years people's incomes have been so decreased that they now demand cheaper but not necessarily inferior merchandise. Do the chain stores give them this?

The chief method by which the chains claim to be able to offer lower prices to the consumer is by the elimination of the costs of the wholesaler or middleman from their business. J.G. Johnston, secretary of the Canadian Chain Stores' Association, says that by greatly reducing wholesale costs, whether through a wholesale merchant or a chain store warehouse, the chains have reduced the

spread in prices between the producer and the consumer. (12) As a matter of fact the chains have not, as is commonly believed, eliminated the functions of the wholesaler, but have merely taken them over and performed them more efficiently. (13) This, claim the chain stores, has reduced prices to the consumer, and there is a great deal of truth in the statement. One way in which wholesale expenses have been decreased has been through the operation by most of the chains of their own warehousing and trucking facilities. That this has helped to lower prices is proved by the fact that many of the independent stores are now cooperating in "voluntary" chains in order to get these facilities themselves. Chain stores have also decreased wholesale costs by means of favourable discounts which they receive because of large purchases. These discounts constitute another saving which can be passed on to the consumer in the form of lower prices, although the increasing percentage of gross profit made by the chains would seem to indicate that this saving is not wholly granted to their customers. (14) Nevertheless the fact that these quantity discounts do permit lower prices is proved again by the "voluntary" chains mentioned above, who are now able to get these discounts by larger purchases. These two instances of voluntary cooperation show how the competition of the chains has forced the independents to adopt similar devices to eliminate extravagant methods of manufacture and distribution and reduce prices to the consumer. Thus the chain store must be given credit for reducing waste in the field of distribution and in this way lowering consumer prices.

In connection with the discounts mentioned above, it should be noted that the chain store prefers to concentrate its purchases of commodities upon styles of products which are in greatest demand. This policy results in greater sales volume and quicker turnover,

and consequently larger orders placed with the manufacturers, who are then in a position to sell to the chain at a lower price because of reduced unit overhead. This saving, which is much more difficult to achieve when marketing through independent retail outlets, can then be passed on to the consumer. (16)

In any discussion of relative prices to the consumer one should take into account the possible adverse effect on prices of the huge advertising costs of the chain system and of the nationally advertised and branded goods featured by it. (17) Instead of raising prices the heavy advertising programmes of the chains actually tend to reduce them. Their large advertisements create just as great an impression upon the customers of the independent stores all over the province as they do upon those in the larger cities where the chains operate. Especially does this apply to the smaller centres where the metropolitan newspapers circulate. In these centres customers expect their local merchant to make his prices comparable with those of the chains in the cities. This, however, is difficult for him to do, since he cannot avail himself of the discounts from the manufacturers which the chain receives. Nevertheless their advertising puts pressure on him to reduce prices. Here again the chains have inaugurated a method which tends to lower prices to consumers. The only danger to be guarded against here is that of laying a greater stress upon price than quality. For instance, in 1932, an inferior grade of canned corn was put on the market to meet the demand for lower prices. This was so poor that the sales of canned corn have never quite recovered from it. (18-D)

Adequate comparisons of the actual prices of chain and independent stores are very difficult to secure. Several sets of comparative data cited in the evidence presented before the Royal

Commission on Price Spreads are either inapplicable for the purpose at hand, or lead to exaggerated or quite erroneous conclusions. In the evidence of Mr. Fred Page Higgins, however, one finds a reasonably fair and representative sample of comparative statistics. (20) On May 31, 1934, a certain grocery chain advertised 71 articles in the Toronto "Evening Telegram." These 71 articles were made up of 9 specially priced commodities, 10 private branded articles and 52 regularly priced items. The prices of independent retailers were obtained on 25 of the 71 articles, including all nine specially priced commodities and only 16 of the 52 regularly priced commodities. These latter prices were those in effect during the whole week of May 27.

Mr. Kay later analyzed these prices (21) and obtained the following results: If a person bought one of each of these articles at the chain store on the day in question, they could have been purchased at 8.52% less than the average regular price of the ten independent stores. If, however, a comparison is made between the 16 regularly priced articles advertised by the chain and the average price charged by the ten independent stores for the same articles, it is found that the chain store price was then only 2.99% less than the average price of the ten stores. If, again, the prices of one of the independent stores which charges much more than the other nine is omitted, the average price for these 16 regularly priced articles in the nine independents was only 1.67% higher than the chain store prices advertised for that day. This comparison, of course, was based on so limited a number of commodities that it is incomplete and inconclusive. Nevertheless, in all probability, it shows that on the whole chains do sell, as is popularly believed, at somewhat lower prices than do the independent stores. The extent to which their prices are lower depends to a

large degree upon the types of prices compared. When regular retail prices are considered, it appears that the chains sell approximately 2% or 3% more cheaply than the independents. There is some point, however, to the argument that, since the chains feature a certain number of specially low priced articles each week, these prices should be included when the average is computed. It is quite apparent, however, that, if specials or loss leaders are included in the ratio of 9 to 25 as they were above when a differential of 8.33% was obtained, the resulting percentage will be much too heavily weighted in favour of the chains, since it implies the obviously erroneous statement that 9/25 of chain store goods are sold as specials. Probably the fairest and most accurate figure would be one just slightly higher than that obtained from the comparison of regular retail prices--possibly 3% to 4%. Thus it may be seen that chain store prices are actually slightly lower than independent prices.

By comparing the ratios of chain store prices to independent retailers' prices for a selected food budget of 32 representative items over a period of several years, it was shown that the price gap between chains and independents was becoming steadily narrower. The period covered was from January, 1930, to July, 1934. The most important reason for the improvement in the price position of the independent store is probably because of the adoption of better and more efficient methods of operation tending to neutralize the price advantage of the chain stores. (22)

Summarizing then, it has been shown that the independent stores give better service, but the chain stores charge lower prices. The choice between the two stores will depend largely upon whether the individual consumer wants lower prices or better service. At present, most consumers seem to prefer lower prices to anything

else, even quality. Before drawing a final conclusion as to the relative merits of the chain and independent stores, it is necessary to examine the effects of some of the chains' merchandising methods upon the consumer.

The chief objections to the merchandising methods of both chain and department stores are levelled against the special discounts, rebates and allowances which they receive from their manufacturer, and against the practice of selling "loss leaders", in using which, they deliberately undercut prevailing prices to a price close to their invoice ^{cost} in order to induce consumers to believe that all their goods are sold at the same price savings. It is argued that these two practices, gradually force the independent retailer out of business, and permit these large organizations to eventually dictate prices to the consumer.

The general opinion seems to be that the rebates, discounts, allowances and free goods which are granted to the chains, lower prices to the consumer, although if prices are forced below the manufacturer's costs, the gain to the consumer is offset by the loss to the worker, who forms a large percentage of the consumer class.

The definition and purpose of loss leaders has been fairly well outlined above, where it was stated that they were articles upon which the chains "deliberately undercut prevailing prices to a price close to their invoice cost in order to induce consumers to believe that all their goods are sold at the same price savings." Since the loss leaders are usually nationally advertised brands or widely used staples, such as sugar or butter, this impression is not difficult to create. Thus the consumer is attracted by these loss leaders to the store, and while there he buys as well, other articles, most of which carry average, and sometimes abnormal

profits based on regular regular selling prices. (23) The usual reduction from regular mark-up for loss leaders may run anywhere from 3% or 4% up to as high as 15% or 20%, depending upon the nature of the commodity featured. (24) J.C. Johnston, the secretary of the Canadian Chain Stores association, himself admits (25) that "in a chain grocery and meat stores, or combination stores, the management seldom if ever offers goods at less than the net invoice cost." Thus the consumer may not save as much on a loss leader as he thinks he does.

Perhaps an example or two would illustrate the method by which the loss leader operates. Professor Cassidy, of the University of Toronto, gave evidence (26) showing how overcoats were featured as loss leaders in Montreal and Toronto department stores. These overcoats were made from Montignac, Crombie and Barr cloths, well known for their high standards of quality, and were put on sale for as low a price as \$25, which would not even cover the cost of the cloth alone. In one case, it was definitely ascertained that a manufacturer produced the coats at a cost of \$47 each. In such a sale, there would be only a few of the fine coats, together with many cheaper and inferior ones, the better garments being used only to attract buyers. It is alleged that at \$25 the consumer paid as much as, if not more than, the majority of the coats were worth on the open market. This is only one instance in many of the ways in which the consumer is exploited everywhere he turns.

A rather different type of loss leader, common to both chains and independents, is that in the drug field, and to some extent in the grocery field, where some manufacturers set minimum consumer prices for their products. In such cases, a commodity has stamped on it a price which is not the customary price at which it is

advertised for sale. Thus, for instance, the minimum price for a "fifty cent" tube of toothpaste may be 39¢, the price at which it is customarily sold by both chains and independents. (27) These cases are merely obvious attempts to try to persuade the consumer that he is getting a wonderful bargain, when in reality he is paying a good average profit.

The question now arises as to how much the consumer is saved by loss leaders. Morely Smith, president of the Dominion Stores says, of course, that the consumer really benefits from loss leaders. (28) It is also pointed out, however, that in order to take full advantage of the savings resulting from loss leaders, the consumer would have to undertake the inconvenient process of going from store to store picking up the different leaders. Obviously, this is not practicable, and would indicate an example of inefficiency in the system of retail distribution. In addition, although the consumer may initially get cheaper goods by means of loss leaders, in the long run such a policy, if persisted in, will eliminate many small competitors and give to the chain or department stores such a control over prices that the consumer may be forced to pay more than ever for his products. (29)

From the above study, it can be seen that loss leaders must be whole-heartedly condemned. Even the chain stores themselves, as represented by the Canadian Chain Stores Association, deplore the practice of loss leaders (not, to be sure, because of their effects on the consumers, but because of their effects on their profits.) Morely Smith, in giving his personal opinion, and his idea is repeated by prominent executives of the A. and P. and Stop and Shop, Limited, says that there should be a minimum mark-up required in the food-retailing industry. (30) This idea would not include the clearance at low prices of goods for which demand has fallen off

greatly, goods which the retailer has discontinued handling, or surpluses of perishable commodities. This greatly complicates the definition of a loss leader and makes its prohibition difficult. Nevertheless, such a principle as that offered by Mr. Smith, even if not given in quite the right spirit, should be applied to every industry, since it would eliminate a great deal of exploitation of consumers, as well as of manufacturers and wage-earners.

Before concluding, it may be helpful to point out some of the weaknesses of the chain and department stores. In the chains, there is the difficulty of maintaining efficient management with a constantly changing labour force and a lack of continuity in store administration, and with the growth of corporate impersonality. (31) Both these flaws have their effects upon prices and service. In the department stores the major defects which must be remedied if their lower price policy is to be continued are: (a) the overdevelopment of expensive customer services and excessive advertising costs; (b) too many departments and too wide a range of merchandise; (c) the overdevelopment of mail order facilities in view of a falling off in this type of business. (32) An additional handicap to this lower price policy has been the erection of expensive buildings.

In estimating the effects of the existing system of retail distribution upon the consumer, it is evident from what has been said above that the chain and department stores must be credited with a great deal of the consumer's exploitation. On the other hand, they have been responsible for a lowering of retail prices which might not have come so rapidly, or at all, under the former system of distribution by independents. Thus with their emphasis upon lower prices the chain stores have performed a great service to the consumer. This policy, however, should not be pursued to the extreme to which it is being carried at the present time. As Mr. J.T.

Crowder, merchandising counsel for the Royal Commission on Price Spreads says, while the consumers are entitled to any economies resulting from more efficient distribution and management, there would seem to be a point below which it would be dangerous to push these economies. (33) It is quite apparent that lower and lower prices to the consumer, if effected by a reduction in the incomes of the farmers, factory workers and store employees, will be detrimental to the interests of these classes, who constitute a majority of the consuming public. Thus lower prices may in the long run harm rather than benefit the consumer. (34)

To sum up, it is the writer's personal opinion that the principle underlying the chain and department stores is sound, although there has admittedly been a departure from this principle in a great many cases. Professor Thompson, of the University of Western Ontario says that if society as a whole benefits from a new device this device should not, in the process of making any necessary readjustments to it, be destroyed at the expense of the ultimate consumer. (35) This appears to be the crux of the whole situation. If adjustments were made to the present system of retail distribution in Canada so that the advantageous characteristics of both chain and independent stores would be preserved, and the disadvantageous ones eliminated, the resulting system would in all probability lead to a method of retailing which would serve the consumer with the maximum efficiency and minimum exploitation.

PROBLEMS OF THE ULTIMATE CONSUMER IN CANADA.List of references and footnotes.Chapter 11 - The Effects of the Existing System of Retail Distribution Upon the Consumer.

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22. "P SR", pp. 217-8.
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26. "P CE", p. 126.
27. Higgins, "RCW", p. 546.
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30. "RCW", p. 1741.
31. "P SR", p. 218.
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Chapter III - Direct Exploitation of the Consumer.*

(a) Advertising.

Advertising is an essential part of the capitalistic system whose growth parallels that of large scale production. By means of advertising, a producer tries to remove his products from rigorous price competition by calling attention to their real or imagined merits. (1)

There are four main indictments against advertising. First, much of it has been either untruthful or misleading. This has been due to the fact that advertising is a profit seeking business which attempts to persuade the purchase of certain commodities, rather than serve the public. Second, advertising has in a sense distorted the social value of the newspapers and radio by means of its influence on these methods of communication. Third, rather than educate the consumer to demand standards of quality set by an impartial agency, it has deliberately misled him into the bad habit of relying upon brand names, trade marks, and "catch" slogans. Fourth, advertising, by laying its emphasis on such superficial products as mouth washes, quack medicines, and cosmetics, has helped in the setting up of a superficial scale of values. (2)

Dr. H.M. Tory, (3) president of the National Research Council of Canada, reinforces the above opinion. Modern advertising, he says, is often misleading or even untruthful. One such cause of the consumer's confusion is the habit adopted by some manufacturers of naming their products so as to lead their customers to believe that they contain ingredients which they actually do not. Perhaps the most notable instance of this is silk, which name is given to many

*This chapter will be considered under several separate headings, some of which overlap one another.

textiles made wholly or partially of synthetic fibres.

An advertisement may not contain a single expressed untruth, but it usually does divert one's attention from the primary considerations of quality or safety, to those characteristics by which the producer tries to make one believe that his product is "of superlative desirability, with no faults whatsoever." This is true of a large percentage of department store advertisements. (4) This type of advertising, while still legal, is deliberately intended to confuse and deceive the consumer, as the reader may easily see if he refers back to the sale of overcoats mentioned on page 20. Such advertising destroys the consumer's confidence in the worth of any and all advertising. In many cases, this extreme exaggeration by the advertiser, coupled with the inability of the consumer to judge quality, have resulted in a complete separation of price from quality. (5)

Usually advertisers claim that they find out what people want and then give it to them. What they really do, however, is find out what people want, and then claim it for their own products. (6) Raymond T. Chandler, president of the Advertising and Sales club of Toronto, admitted this when he said, "We don't tell the consumer what we've got to sell, but what he wants to buy"... "Only a few years ago, there were no electric refrigerators. Now the consumer is convinced neither he nor his family can be healthy without one." "

It is now perhaps time to consider some examples of false and misleading advertising.

It has been admitted by chain store heads that from 70% to 80% of the items advertised weekly are at regular prices. In spite of this, however, most of the advertisements are worded so as to lead the reader to infer that all the articles advertised are at lower prices, when actually they are not. (8)

As an instance of false advertising of meat, Mr. F.C. Rice, an ex-manager of the Dominion Stores in Montreal, gave evidence to the Royal Commission on Price Spreads of mutton being advertised and sold as lamb. (9)

Contrary to the junkist orange advertisements, science does not prescribe two eight ounce glasses of orange juice daily, and, if it did, the average statistical family of two adults and three children could not afford it. (10) At the rate of two oranges per glass, under this scheme, twenty oranges daily would be required, and with present prices this would cost 50¢ to 60¢ per day, a rather exorbitant expense.

Soap can do only one thing--cleanse the skin. Yet every soap advertisement promises its users some alluring benefits which can never be realized. When tested by Consumer's Research, for instance, Yardley's Old English Lavender Soap, costing 35¢ per cake, was found to be slightly inferior to a cake of cheaper soap costing 6¢. Thus do consumers pay for an advertised name. (11)

Claims made by the various toothpaste makers to the contrary, the American Dental Association says that "no toothpaste safe for daily use on the teeth will prevent or cure pyorrhea or other diseases of the gums; nor prevent decay; in fact no toothpaste can be more than a slight aid to the mechanical cleansing of the teeth." A pound of precipitated chalk, costing 35¢ or 40¢, and lasting for about a year in a small family, would serve just as well as any toothpaste or powder on the market. (12)

None of the proprietary mouth washes or gargles are useful or at all effective in the ways claimed for them in advertisements. (13)

In the evidence given before the Parliamentary Committee on Price Spreads and Mass Buying, several examples were given of de-

partment store advertising for sales of suits or overcoats. In these advertisements, the names of well-known cloths, such as Harris tweeds, were mentioned, in order to persuade the customer that all the suits advertised were of similar high quality when in reality the great majority of them were cheap. For instance, in one "bargain sale" of overcoats, only 72 out of 500 coats were sold below the regular price, a fine profit being made on the other 428. (14) This practice is made easy by the fact that most consumers cannot tell the value of a coat or suit, and many are led to buy cheap articles believing that they are getting a bargain.

In an advertisement of two trouser suits in the Calgary Daily Herald, on Wednesday, February 28, 1934, suits were advertised in the headlines at \$23.50, but it was to be noted in small print that extra trousers would cost \$5.00 more, bringing the total cost of the two trouser suit to \$28.50. Nevertheless, the advertisement was misleading in that it tried to make the public believe that two trouser suits could be purchased for \$23.50. (15)

In tests made by the National Research Council, it was found that in a pair of ladies' stockings advertised as "wool and silk" there was no silk at all, although there was 29.2% artificial silk or rayon. (16) Of 24 samples of goods advertised and sold as "all silk" or "first quality silk", five contained no silk whatever. (17) One sample of cotton sheeting advertised as 81 inches in width was found to be actually only 72 inches wide. (18) Of 20 samples of "part wool" blankets submitted to an American testing laboratory for analysis, the great majority possessed less than 1% of wool. This was simply deception of the consumer. (19)

The National Research Council also tested 27 Canadian "Electric lamps, advertised so as to imply that they were guaranteed to burn for 1000 hours. It was found that 24 of these had burned out at the

end of 861 hours, the average life of the 24 being 622 hours. (20) This simply goes to show that guarantees today are unreliable, and practically worthless to the consumer.

One gasoline advertised with "the highest knock-rating in the world" was found when tested by the National Research Council to be well below the premium grade which it was supposed to exceed in quality. (21)

Alleged bankrupt stocks also give rise to misleading advertising. Instances have been cited where stores which advertised that they had purchased bankrupt stock at "50¢ on the dollar" sold their own goods with this stock, giving in their advertising, the impression that all the stock had been purchased at very low prices and would therefore be selling at correspondingly low prices, which, of course, was not true. (22) For instance, in Toronto one retail clothing merchant made an assignment at a time when he had two suits of clothes in stock. Yet the firm carried on a bankruptcy sale for months, with a tremendous amount of advertising which must of necessity have been misleading if not actually false. (23)

Many large advertisers appeal to the consumers by means of testimonials of either prominent people or learned scientists. The consumer, however, should obey the warning to pay no attention to these. When a scientist sells his name and opinions to an advertiser, his opinions are no longer worth much to the consumer. Many "scientific research" workers are on the payrolls of food companies, and therefore they must get results which are favourable to their employers' products or lose their lucrative jobs. Consequently, by choosing the proper conditions and implements for an experiment and knowing exactly when and where to stop, these "scientists" can prove to the gullible public practically anything they desire. (24) It is interesting to note that the testimonials of the medical faculty in

Vienna in favour of Fleischmann's Yeast, which were so widely publicized a short while ago, have been completely repudiated by the Vienna Medical Faculty in a letter to the American Medical Association. The latter body also points out in its Journal that the value of yeast in the treatment of skin disorders is doubtful. (25) Yet practically all that the consumer knows about yeast is what he reads in the Fleischmann's Yeast advertisements, which certainly mislead him, to say the least.

One illustration of the "famous names racket" in advertising will suffice. A full page Camel cigarette advertisement showing Ellsworth Vines, the tennis star, holding a cigarette in his hand was so worded that one must believe that Vines smokes Camels. Yet, in an interview in "The Open Road For Boys", Vines states that he does not smoke, "except, perhaps, that once in four or five months I may have a pipe of tobacco or a cigar." (But not a cigarette.) (26) The reader is left to draw his own conclusions as to whether the advertisement or the interview is more truthful.

Good Housekeeping Magazine states in every issue that "It is the definite policy of Good Housekeeping to make its advertising pages trustworthy and reliable. EVERY product advertised in Good Housekeeping is guaranteed". This, however, is merely a means used by the magazine to get more advertising contracts by helping the producer pass off his products on the gullible consumer. Among many other products, Good Housekeeping has approved Flit, Listerine, Vick's Vatro-nol, Ambrosia, Vapex, and various toothpastes, such as Lorhan's, Colgate's, Ipana, and Peppodent, which are all of practically no value. Ambrosia, for instance, contains carbolic acid, which is certainly not the world's best skin food. Thus it can be seen how reliable even "guaranteed" advertising is to the consumer. (27)

One last method of advertising, which is not necessarily false

or misleading, is certainly subtle, and practically unknown to the consumer. This consists of advertisers putting news reports of alleged scientific discoveries in the news columns of the paper. (28) These reports the consumer devours avidly, never thinking that they are merely a subtle way of forcing questionable advertising down his throat. Then again, advertising may be concealed in the columns of a paper or magazine which are devoted to reading material. Examples of this are the theatrical and shopping columns to be found in nearly every daily newspaper. (29)

The above constitutes an examination of some of the more flagrant methods of advertising, and their effects upon the consumer. The difficulty is that at present in Canada, false and misleading advertising cannot be stopped by the criminal code because of the difficulty of prosecuting in the courts and the delay often attending legal action. (30)

(b) Brands and Trade Marks.

Closely linked with, and dependent upon, national advertising, the branding of goods is a device by which a single firm tries to attract consumer purchases to its own goods. This brand identifies the company, but not the goods, whose composition may be changed at any time without notice and without any alteration in the brand name (31) Sometimes one manufacturer will sell the same product, such as cold cream, at two different prices under two different brand names, so that he can make his big profits from his more gullible customers and smaller ones from the wiser shoppers. (32) For instance, the manufacturers of the Apex electric washer, whose retail price is maintained at \$79.50, put out for the department stores a special washer under the name of Take Away which, with the exception of one or two minor details, was exactly the same washer as the \$79.50 Apex, but which sold at \$57.50. (33)

The real purpose of branding a commodity is to take that commodity, in a sense, out of the competitive market by creating a demand for it, and for it alone. In this way, the producer tries to create a monopoly for himself in a field which should be competitive. That this policy is successful is shown by the fact that in 1925 the Jell-O habit of the American people was purchased for \$35,000,000 and in 1928 the Maxwell House Coffee brand for \$42,000,000. Naturally this extra cost is saddled on to the customer. (34) The consumer must also, in buying branded goods, pay for the cost of advertising and salesmanship, and the package or container of the commodity. This is proven by the fact that on the whole branded goods sell at higher prices than similar bulk goods. (35) For instance, the \$1.50 box of Crazy Water Crystals is merely the equivalent of a few cents' worth of Glauber's salt, an old-fashioned cathartic of doubtful medical repute. (36) The case of Larvox has already been mentioned on page 5. The head cold remedy, Vapex, was found on analysis to be composed essentially of alcohol, water, menthol, and lavender oil, at a cost of about 2¢ for the contents of a 75¢ bottle. (37) Two trade marked dry cleaning fluids, costing 25¢ to 40¢ per gallon to produce, were sold at 25¢ for a seven ounce bottle (\$5.70 per gallon) and 50¢ for a five ounce bottle (\$16.00 per gallon.) Upon analysis, both of these preparations were found to be practically pure gasoline, but, under fancy brand names, they could be sold to the poor consumer at prices which certainly included much more than any legitimate costs would warrant (38)

Branding also introduces an element of rigidity into the price structure. The prices of branded goods are usually held fairly constant, and this hurts the consumer's pocketbook in a depression, when his income is reduced. (39)

A brand name may deliberately misrepresent the components of

the commodity which it is supposed to describe. To take a perfectly obvious example, Grape-nuts contains neither grapes nor nuts. The name "Castile" is now used often for soap not made from olive oil. "Beehive" is used as a brand name for corn syrup, although it does not contain any honey, as one might infer from the name. The secrecy as to the ingredients of some products actually prevents comparisons with other similar goods. (40) Branded products may even be slowly and deliberately worsened by the manufacturer without any warning to the consumer.

Thus is the consumer exploited by the prevalence of brands and trade marks.

(c) Harmful and Injurious Substances.

Ordinarily, the consumer cannot detect bacteria, traces of poisons or chemical substitutes in the commodities he buys, nor can he judge the truthfulness of the health and curative claims made for many foods and medicines. This is chiefly because there is no adequate or informative grading or labelling which would force the producers to divulge the truth about their products. (41) Many examples of harmful and injurious ingredients in popular commodities could be cited, but only a few will be considered here.

Although Kellogg's All Bran is recommended to consumers for relief from constipation, medical authorities seem to agree that about 2/3 of those who eat bran regularly over an indefinite period develop some kind of intestinal irritation. This, said Dr. W. Jerry Morgan in a broadcast sponsored by the United States Public Health Service, often causes a secondary constipation which is at times difficult to cure. Yet, say the manufacturers, bran did not harm twenty-two rats tested by our own experts. Surely the consumer deserves better treatment than a rat. (42)

While discussing cereals, it is interesting to note that, in

the opinion of competent investigators, cereals taken in excess interfere with the proper development of a child's teeth. Every manufacturer of cereals, of course, suppresses this bit of information. (43)

Producers also suppress the information that vitamin D taken in excess is a health hazard. Granted that rickets are caused by a deficiency of vitamin D in a young child's diet, this has been no reason why this precious vitamin has been forced upon the consumer by high pressure advertising in practically every food imaginable. Nevertheless, it has now been discovered that an excess of vitamin D may be injurious to health. This valuable knowledge, however, is kept from the consumer. (44)

Stale and malodorous meat turns a bright juicy red when dosed with a chemical known as sodium sulphite. When this has been done, both the meat and the sodium sulphite, a poison, are harmful, and yet such meat is frequently sold as good fresh meat. The meat most likely to be kept in this manner is hamburger, since it can be made by grinding together with sulphite, stale and leftover scraps of meat. Let this be a warning to the consumer not to buy ready prepared chopped meat. (45)

One thing which the government should do, and could do within a few months, is to solve the problem caused by the poisons used in sprays on many fruits and vegetables. In many cases, the amounts of lead and arsenic from the lead arsenate sprays used may cause the consumer serious trouble. (46)

Next comes probably the worst case of all--that of Pebecco toothpaste, previously mentioned (on page 5). Each tube of this toothpaste contains one ounce of a poisonous chemical, potassium chlorate, 1/3 of an ounce of which is enough to kill a person and 1/10 of an ounce enough to make one very sick. Much less, of course,

will kill a young child or make him sick, and thus the danger to those wandering infants with a tendency to eat everything they can grasp is very great. Yet nowhere on the package or tube are parents warned to keep this deadly poison out of the reach of children. To those adults with no children who can argue that they do not eat Pebecco, but just brush their teeth with it, it may be answered that they must admit that a very small percentage of the ounce of potassium chlorate cannot help but be swallowed while using the paste in the ordinary way. With this tiny amount being swallowed daily, the constant use of Pebecco over a prolonged period may bring about degenerative changes in the body. (47)

It is interesting to note that the Federal Trade Commission of the United States ordered the Bayer Company to stop making its claims that aspirin is harmless. (48) Yet how many consumers heard only the Bayer Company's claims, and not the demand of the Federal Trade Commission?

Of all the cathartics and laxatives on the market, none should be taken regularly according to medical opinion, which says that the continued use of such products is irritating and habit forming. (49) Ex-Lax, Pepp-a-mint, and Cascarets all contain Phenolphthalein a poisonous drug used for laxative purposes. Dr. J.F. Montague in his book "I know Just the Thing For That" points out that repeated doses of this poison will damage the system to a great extent, and that several deaths have been directly attributed to the taking of this drug. These candy laxatives, he goes on, also help to form in early life a laxative habit which sometimes cannot be thrown off by the grown adult. (50)

Crazy Water Crystals, really another cathartic, were found several times between 1912 and 1928 to contain what U.S. Federal food and drug inspectors very naively termed "filth". No doubt

another health giving constituent!

In a radio talk on Patent Medicines delivered over station KZOO, Kalamazoo, early in 1934, James Boynton, of the department of chemistry of the Western State Teachers' College in that city, said that, if a fat reducing preparation, some of which are merely laxatives, will work, it is dangerous to use, and, if it will not work, it is a fraud. Yet countless women (and no doubt men too) go on buying these "wonderful" reducing agents!

All hair dyes with the exception of pure henna contain poisons and most of them should be banned. Skin bleaches contain ammoniated mercury, a harmful irritant. (51)

About 70% of 38 highly advertised small electrical appliances tested by Consumers' Research showed various degrees of shock hazard, even though appliances can be made without this hazard at no appreciable increase in unit cost. (52)

One commodity which, unknown to the consumer, contains a health hazard is enamel ware in which is antimony, a poison. This is soluble and comes off in the food. (53)

In anti-freeze solutions, mineral salts dissolved in water, such as calcium chloride, may cause serious corrosion and possible short-circuiting of electrical connections in the automobile engine. Yet one sample purchased at 69¢ per gallon was found by the National Research council to be an aqueous solution of calcium chloride. (54)

Some popular cleaning fluids, such as those mentioned previously in this chapter, are either all or nearly all pure gasoline. This of course, is dangerous to use, since a spark may cause an explosion. (55) Yet the public goes on buying these cleaning fluids, unaware that it is paying exorbitant prices for one of the most dangerous of cleaners, gasoline.

(d) Adulteration.

The prevalence of this practice can be attributed to (a) a

lack of definition of trade names, and (b) inadequate enforcement of the existing law. Products which do not come under the Food and Drug Act or certain other minor acts can be and are adulterated almost fearlessly by the manufacturer, whose only restriction is that he must not deliberately misrepresent his product in advertising or in the markings on the package or label of the product itself. (56)

With a demand arising for lower priced jam as a result of the depression, manufacturers of a lot of the supposedly high quality jams started to cut down the amount of pure fruit used, and substitute pectin, apple products glucose, etc. for it, using artificial colouring and flavouring extracts to conceal this defect. Then manufactured pectin was replaced by apple pulp. Instead of selected apples, cull apples, with their worms, rot, and all, were used for the manufacture of these apple products. In addition, although it is admitted that 30% to 35% should be the minimum fruit content for a jam, there are some jams being sold today with only 10% fruit content, this fact, of course, being unknown to the consumer. Finally, benzoate of soda, an injurious chemical whose use is prohibited in Great Britain, is sometimes used in Canadian jams. (57)

In the United States, a shipment of Libby's "Fancy Hawaiian Sliced Pineapple", supposed to be the highest grade, was found upon analysis to be substandard, because of its brown colour, poor flavour and soft, tough texture. (58)

Some soaps tested by the National Research Council of Canada were found to have a high moisture content and/or inert fillers. (59)

The paint situation in Canada is particularly bad. It was found that water is often put in paint as a thinner, one sample which was analyzed containing as much as 30.9% of "volatile thinner plus water". (60)

Upon testing, a sample of putty was found to contain 25% mineral oil. This affects not only the setting of the material, but also causes the putty to crack upon aging. One well-known Canadian manufacturer was forced to reglaze a whole factory building where failure had occurred because of putty containing mineral oil. (61) Yet this putty is sold to the consumer as "good" putty.

The analysis of a number of purchases of cotton sheeting showed that there was a considerable content of non-fibrous materials in some samples, and that there was "filling" in materials advertised as free from filling. (62)

The examination of several samples of woollen fabrics disclosed that there is a low wool content in some goods marked "wool and cotton". ("Wool blankets" often contain no more than 1% or 2% wool, the rest being cotton. (63) Tests also showed that there are synthetic fibres instead of natural silk in goods marked "silk and wool" (64)

Probably the greatest degree of adulteration today is to be found in the weighting of silk. Pauline Beery Mack, in charge of textile chemistry at Pennsylvania State College, says that "the practice of weighting silk is the greatest abuse of a textile fibre that has occurred in history." (65) Its use has become incredibly widespread since the introduction of synthetic fabrics. The strength of weighted silk, she says, rapidly decreases, and, after being worn a few times, may disappear. Describing the process of weighting, Miss Mack says that it consists of immersing the fabric during the finishing treatments in various mineral baths, from which the silk fibre takes up large quantities of the mineral substance, thus causing it to appear of better grade than the amount of silk in it would warrant. It has been proven that air, sunlight and perspiration cause this weighted silk to lose its strength rapidly. Silk

weighted with tin salts to the extent of 50% of its total weight, a not uncommon practice, could not be expected to have any strength left after hanging in indoor daylight for six months. Silk weighted with lead, which is not an unusual thing to find, is a definite health hazard to persons readily susceptible to lead poisoning, despite the findings to the contrary by researchers subsidized by the holders of the American lead weighting patents. (66)

How widespread is this practice of weighting silk? In a survey conducted in the United States by the Consumers' Advisory Board, of 50 silk dresses bought in New York City, only three contained no mineral weighting, 44 contained 50% weighting, and one was actually 100% rayon. (67) In Canada, of 24 samples of silk goods bought as pure silk two were found to be natural silk with no added weighting material; 17 consisted of natural silk with added inorganic weighting; two consisted of cellulose acetate fibres, two of viscose, and one of a mixture of cellulose acetate and viscose. In other words, five of the samples contained no silk whatever, the amount of pure silk in the other 19 pieces being between 40% and 80%. Of the weighted samples, the percentage of inorganic weighting material varied from 2.4% to 66.9%, one sample even containing an appreciable quantity of lead.

How can the consumer protect himself against his constant exploitation by means of these inferior fabrics? Although it is practically impossible for anyone to tell either by sight or touch whether a piece of "silk" or "wool" is pure, Arthur Kallett gives some simple home tests which can be made. (68) If a match is touched to a piece of wool cloth, and it is pure wool, it will char and give off wool's characteristic odour, whereas if it contains cotton, the cotton will flare and burn rapidly. If, similarly a match is applied to a piece of silk goods, silk with little or metallic weighting

will melt into more or less spherical black lumps, while heavily weighted silk merely blackens, the metallic framework retaining the form of the unburned fabric, looking not unlike a piece of fine screening. (This latter method was tested personally by the writer with two pieces of silk goods, and found to work out very well)

(e) Marking and Labelling.

Miss Rosaline Ivey, of the Western State Teachers' College, Kalamaazoo, in a radio talk on "Good Labels" delivered over station WJZG early in 1934, said, "You must not be influenced by the apparent size of the package; you must read labels---Always read the quantity of contents stated on labels, that is, the net weight or net volume statement."

Even this warning, however, does not protect the consumer. Many packages are labelled "netweight, x ounces", when in reality this is their gross weight. Here the buyer is paying for the package or container at the same rate which he is paying for the actual goods. (69)

Jams of different fruit contents are labelled in such a way that the consumer cannot tell the differences between them. Consequently, he buys the cheaper, and, unknown to him, inferior jam. (70) For instance, one bottle had 27½% fruit in it and the other 32%, with no difference in the labels of the two. (71)

The cans of Aylmer crushed pineapple, supposed to be exactly the same articles, were found to be of different sizes, much to the surprise of the purchaser. (72)

Many shirts sold as "pre-shrunk" are first shrunk and then stretched back to their original dimensions. Thus the value of the process is absolutely nil. (73) Some shirts have even been sold with a pre-shrunk label on the inside of the collar band when only the collar band has been given the pre-shrinking treatment. (74) Surely

this is misrepresentation at its best (or worst)!

Another form of misrepresentation under this head is that of fictitious names on labels. Some cheap and inferior brands of paint are put out with the names of non-existent manufacturers on them. This means that the actual paint makers have put out such inferior products that they do not want their own good names associated with them. This practice is really intentional deception of the consumer and should certainly not be tolerated. (75)

(f) Grades and Grading.

"The manner in which many producers now grade their products is completely confusing to the purchaser"(76) Many grades of consumers' goods are such as to make it appear that their purpose is to conceal rather than disclose the true quality of the goods. Simple numbered grades are rarely used. Probably the best and most successful system in Canada is that of consumer egg grading. Eggs are graded simply A1, A, B, and C, and these grades are all subdivided as to sizes, large, medium and pullet. (77) Although there are three official government grades for butter, none are used in advertising, and thus the consumer cannot tell whether he is buying first or second grade butter. (78) Butter advertised as "fancy" may be in reality No. 2 grade. Dominion standards for jam, of which there are four, apply to that fruit which is shipped out of the province. Thus, with jam made in the province, the consumer is unable to tell what grade he is getting, since there are no adequate grades printed on the bottle. (79)

There is also now in Canada "red label" and "blue label" beef, which are government established gradings. Within these two brands however, are included the first four grades upon which the packers buy, namely, prime, choice, good and medium. Only 20% of our slaughtered cattle are eligible for branding under either of the

two standards. Below these two, including the four grades mentioned, there is no provision for consumer grading of beef, and it is not even compulsory that beef be graded at all. Even the term "baby beef", as offered in retail stores, is misleading, since it is not an official grade and has little meaning. It may be anything from veal to beef from animals up to 18 months old. Thus the housewife has really no way of telling what class of beef she is buying. (80)

Although the quality of canned fruits and vegetables and other quality standardized products must be stated on the label, the grading system of canned foods is quite weak. The grades themselves are "fancy quality", "choice quality", "standard quality", and "second quality", the latter actually being fourth grade. This is certainly confusing to the consumer, who gets a third grade product when he buys "standard quality". In addition to this, some Canadian producers of canned goods have successfully obscured the meaning of the grade on the label by printing it so that it appears as part of the brand name or a description of the contents. An example of this type is where "Standard Quality Product" is printed ^{Standard (81)} Quality Product.

The situation with regard to the grading of automobile oils is also extremely confusing. In some brands, for instance, the letters A, B, C, etc. denote oils of increasing viscosity, which measures the "body" of the oil, while in others the reverse is the case. (82)

(g) Measures and containers.

Non-standard sizes are now being used for packaged and canned goods, with the apparent intention of making the consumer think that he is actually getting more in weight or volume than the package or can really contains. For instance, containers can be any size at all except standard sizes under the Meat and Canned Foods Act provided the net weight or volume of the contents are marked on the label in any size print that is visible to the naked eye. This

of course, does not protect the consumer. (83) This variation in the sizes of containers permitted by the government is bewildering to him, since he finds it difficult to tell one size from another except in a direct side-by-side comparison. Instances have been cited where certain products (e.g., Jani-Flosh) have been made in smaller sizes than the regular sizes, without the knowledge of the public.

One example of a deceptive container is the Vaper bottle, which is cleverly formed with a great deal of glass to conceal the fact that there is only a small amount of liquid in it. (84)

In some packages of matches put out by the Rddy Match Company, some boxes contained 300, and the others 400, matches. The boxes which were apparently the smaller had 400 matches in them, and yet the larger boxes containing 300 matches were more highly priced. (85) What chance has the poor consumer got?

Goods which are customarily put up in pound packages are now being put up in 14 ounce and 14½ ounce packages, which look about the same sizes as the standard ones. This practice is sanctioned by the law if the manufacturer merely puts in small letters on the package its net contents, a thing which the consumer never thinks to notice. (86) Even this rule, however, is not obeyed, as some stores put gross weight instead of net weight on their packages, while others include in their weight, heavy wax-lined bags (for tea and coffee) or cardboard or wooden containers (for lard and fruit) which are weighed with the package. Thus when containers weigh ½ ounce or ¾ ounce, net weight should always be insisted upon if the consumer wants full measure for his money. (87)

(h) Short weight.

Short weight consists either of short-weighing on just scales or the "fixing" of the balance of the scales to make them give short weight. Both these practices are illegal under sections 63 and 64

short weighing the customer is by weighing the bag or wrapper with the article purchased. In addition, the prevalence of pre-packaging has introduced the problem of shrinkage of goods, which has sometimes been used as an excuse for short weight. (88)

The actual practice of short weighing will be discussed first. The following figures, chosen from among many of the same type, were picked as giving the truest and most representative picture of the practice of short weight--

Summary of Purchases Made in Montreal, Ottawa, Toronto, Winnipeg, Regina, Calgary, Saskatoon, and Vancouver. (89)

Number of Orders--479.

Number of Items---1103.

Number of Items Over Weight-----65 (5.7%)

Number of Items Correct Weight---509 (45.0%)

Number of Items Under Weight----555 (49.3%)

The above table has to do with bulk articles weighed out by clerks at the time of purchase by government investigators. It will be noted that the percentage of items under weight is nearly as large as the percentage of those correct weight and those over weight combined.

Of 17,480 items purchased in Ontario (including bread, sliced bacon, dried fruits, currants, sugar, tapioca or sago, cereals, soap chips, cheese,) the following is a statement of weights. (90)

	No.	\$
Over weight-----	3023	17.23
Correct weight---	9629	54.90
Under weight----	4888	27.87

Here the short weight is not quite so noticeable, but it is still worthy of observation that there is more short weight than over weight. Under perfectly normal and honest conditions, of course, the number of over weights would equal the number of short weights

because of the law of averages. Such a wide deviation from the average as the above should certainly be looked upon with suspicion, if not distrust.

Because of the tendency to use relatively heavy containers for weighed commodities, it has been laid down in court that all weights given in Canada are net weights and not gross weights. Thus one store in Toronto was prosecuted for selling lard in a wooden boat weighing over $\frac{1}{2}$ ounce. Other examples of short weight where the container is included in the weight are the wax-lined paper bags, weighing $\frac{1}{4}$ to $\frac{2}{3}$ of an ounce, which are used for packaging teas and coffees, and the pasteboard containers of proprietary brands, weighing from $\frac{1}{4}$ of an ounce to $1\frac{1}{2}$ ounces, for commodities such as dried fruits, yellow sugar and dates. When these containers are included in the weights paid for by the customer, the retailer makes an extra profit on his goods and the consumer loses this sum. (91)

Many examples of short weight packages were given in the evidence taken by the Royal Commission on Price Spreads. (92) Three instances will suffice. A pound package of lima beans weighed 14 ounces gross. The same holds true of a one pound package of rice. A two pound package of rolled oats was found to weigh but $26\frac{1}{2}$ ounces gross. The consumer cannot even trust his storekeeper.

It has also been laid down in court that shrinkage in weight in packaged goods between the time of packaging and the time of sale is no excuse for short weight. (93) Nevertheless pre-packaging is responsible for a lot of short weight. Some commodities in a grocery store, such as dried fruits, soap chips, white beans, will shrink quite a bit in a few days, (94) and it is a question whether such products should be put up in pre-weighed packages. (95)

Summary of Goods Pre-packaged from Bulk in the Various Chain Stores in Quebec, Ontario, Manitoba, Saskatchewan, Alberta and

British Columbia. (96)

Number of Packages Bought---18,096.

	No.	%
Packages Over Weight-----	2378	13.0
Packages Correct Weight----	9857	54.4
Packages Under Weight-----	5861	32.6

Here it may again be observed that the percentage of the packages under weight is much greater than that of those over weight.

Pre-packaged sliced bacon is one commodity which is subject to heavy shrinkage from the time it is packed to the time it is sold over the counter.

Summary of Weight of Pre-packaged bacon in $\frac{1}{2}$ pound and 1 pound Packages in 27 Chain Stores in Quebec, April 28, 1934. (97)

Total Number of Items---485.

	No.	%
Items Over Weight-----	21	4.33
Items Correct Weight--	295	60.82
Items Under Weight-----	169	34.85

These shortages may have been due to either shrinkage or faulty packing, but, to whatever cause, they serve to warn the consumer always to have his bacon (and other pre-packaged goods too) weighed in the store before his eyes.

To provide against short weight due to shrinkage, either there should be put in each package sufficient extra to take care of any shrinkage which may occur before the package is sold, for which a little more would have to be charged, or there should be provided regular and periodic reinspection of all packaged articles. (98)

Scales balanced against the customer are those where a scale at rest reads, for instance, $\frac{1}{2}$ ounce instead of 0. Such a scale would give all weight readings $\frac{1}{2}$ ounce higher than the actual weight of the goods on the scale, indicating for example, 16 ounces when 15 $\frac{1}{2}$ ounces are placed upon it. (99) This is another problem which leads to the

exploitation of the consumer.

In a survey made by the Department of Weights and Measures in the Ottawa district on July 7th and 9th, 1934, in 24 stores, 55 scales were found which balanced $\frac{1}{4}$ ounce or more against the customer and one in his favour. (100) In a similar survey made in Toronto on October 20th of the same year, in 32 stores, 41 scales were found to be balanced $\frac{1}{4}$ ounce or more against the customer. (101) Here the consumer is up against a problem which he cannot often solve himself, merely by watching all scales, and making sure that they all read 0 when at rest.

(1) The Tariff.

When a duty is imposed on a commodity, the price of that commodity to the consumer almost invariably rises by the amount of the duty. This amount must be added to the price charged the consumer if the foreign producer is still to make his usual profit. Then if, after the duty has been imposed, domestic producers replace the foreign ones, they must charge the consumer higher prices than those paid previously if they are to make a profit at all. The very fact that they did not enter the market before shows that they could not produce at home at a price low enough to compete with foreign producers. This process is a direct loss to the consumer, since he is now paying a higher price to support less efficient methods of production. It may even happen that, because of the imposition of a duty, domestic producers who are under only a very slight disadvantage in production and who can therefore bring the article in question to market almost as cheaply as can the foreigners, will form a monopoly and thus exact a higher price than free competition would produce. (102)

Thus consumers are vitally affected by tariff policies. It can be seen from the above reasoning that high tariffs mean the

production in a country at high prices of many articles which might be imported from other countries at much lower prices. Tariffs, as is also noted above, encourage the development of monopolies, which generally keep for themselves any benefits of reduced costs of production, thus preventing any rise in wages or reduction in prices. The costs of all these results of high tariffs are ultimately paid by consumers. The prices of the commodities they buy are higher, whereas their incomes are raised little, if at all. Thus in reality there is a decrease in the consumers' real wages. Consequently high tariffs, a phase of economic nationalism, means that as a whole the people of any one country are not as well off as they would be if they cooperated with other countries. (103)

The method by which tariffs exploit the consumer is well illustrated by a comparison between the prices paid by the consumer in Canada with those in the United States for many popular articles, which comparison was made by the Liberal Party of Canada prior to the federal election of last fall. The following is a partial list of articles representing goods of the same standard and quality--

<u>Commodity</u>	<u>U.S. Price</u>	<u>Canadian price</u>	<u>Increase %*</u>
Chase and Sanborn coffee (1 lb)	28¢	37¢	48
Maxwell House Coffee (1 lb.)	28¢	42¢	50
Ovaltine--14 oz. tin	48¢		75
16 oz. tin		98¢	
Aunt Jemima Pancake Flour	12¢	16¢	33.3
Miracle Whip Mayonnaise (1 qt)	35¢	53¢	51.4
Kraft relish	17¢	23¢	35.3
Canned Peaches- Aylmer, 16 oz. can		21¢	
Delmonte, 23 oz. can	20¢		90.3

* The figures in the "% increase" column are my own.

<u>Commodity</u>	<u>U.S. Price</u>	<u>Canadian Price</u>	<u>% Increase</u>
Canned Pears-Aylmer, 16 oz. Can		21¢	58.6
Delmonte, 29 oz. can	24¢		
Head's Dextro-Maltose, 1 lb.	59¢	79¢	33.9
Bayer Aspirin, 100 tablets	43¢	98¢	127.9
Pepsodent Toothpaste (Large)	29¢	39¢	34.5
Lifbuoy Shaving Cream (tube)	26¢	35¢	34.6
Lifbuoy Soap (cake)	5¢	8¢	60.
Ivory Soap, Medium (12 bars)	50¢	84¢	68.
Old Dutch Cleanser (2 cans)	15¢	20¢	33.3
Gold Dust Powder--4½ Oz. pkg.		5¢	211.1
14 oz. tin	5¢		
Gillette Blue Blades, 10	37¢	50¢	35.1
Woodbury's Cold Cream, 3oz. jar		50¢	42.5
3 1/3 oz.	39¢		
Hoxem, 4 oz. jar	39¢	54¢	38.5
Matches, 6 large boxes	21¢	50¢	138.1
No. 226 Radio Tube	59¢	\$1.10	86.4
Eveready Battery, No. 950	10¢	15¢	50.
Brass Socket	15¢	25¢	66.6
Double Socket	10¢	20¢	100.
Porcelain Electrical Receptacle	10¢	20¢	100.
Heater Plug	15¢	30¢	100.
Knife Switch--2 pull	19¢	50¢	163.2

Here may be observed percentage increases in prices running as high as 211% in the case of Gold Dust Powder. Surely the consumer should not be forced to pay such exorbitantly high prices for exactly the same goods because of the tariff!

It is interesting to note that the Liberals, since their election last fall, very quickly negotiated for and signed a

reciprocity treaty with the United States. It is even more interesting, however, to note that, with the exception of citrus fruits, kitchenware, magazines and a few other minor articles, practically no consumer goods were included in this treaty. As far as the writer knows, not one of the products listed above as so worthy of price reduction is included at all. This merely bears out the oft-heard axiom that the price in Canada of an article made in both the United States and Canada is equal to the Canadian cost of production plus an amount slightly less than the total duty and freight costs. Again producers consider profits, instead of consumers.

Consumers, therefore, should take an active, instead of their usually passive, part in the discussion of the question as to the height of the tariff walls, if they do not want the big producer interests to continue to dominate the prices of the goods they buy. The "Forgotten Consumer" must see how he is exploited by high tariffs, and must then demand the benefits of low tariffs, or free trade.

Thus, the major methods of the exploitation of the consumer having been examined, it can be easily seen that producers are apparently indifferent to consumers' interests. Although there are laws to protect the consumer's health, these laws are written and enforced so as to prevent any unnecessary losses to the big producers, in spite of the few regulations which the pressure of public opinion necessarily forces from time to time. (104)

Howey H. Palmer, former university professor, sums up the cause of this state of affairs very concisely and very well. He says, (105) "Only an outworn economic Philosophy based upon the right of a maker of a product to take as much profit as he can and give to the purchaser in return, no more than is absolutely necessary to satisfy the latter's demands- based upon

exceedingly limited knowledge or complete ignorance--can account for such gross indifference to the rights of the ultimate consumer?

Must there be a change or merely a reconstruction in the world's social and economic philosophy? Perhaps a further study of the problem is necessary before final judgment is passed on this perplexing problem.

Problems of the Ultimate Consumer in Canada.

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Chapter IV--Present Methods of Consumer Protection.

The time has now come for a discussion of the existing organizations and methods by which the consumer is supposedly or actually protected. This discussion will be divided into five parts, each part dealing with a separate topic.

(a) The National Research Council (of Canada)

The powers of the National Research Council with regard to investigation, research and standardization, as set forth in paragraph 10 (c) of the Research Council Act, 1924 (chap. 64, 14-15 George V, p. 263) are--

"To undertake in such a way as may be deemed advisable--

(i) To promote the utilization of the natural resources of Canada;

(ii) Researches with the object of improving the technical processes and methods used in the industries of Canada, and of discovering processes and methods which may promote the expansion of existing or the development of new industries;

(iii) Researches with the view of utilizing the waste products of said industries;

(iv) The investigation and determination of standards and methods of measurements, including length, volume, weight, mass, capacity, time, heat, light, electricity, magnetism and other forms of energy; and the development of physical constants and the fundamental properties of matter;

(v) The standardization and certification of the scientific and technical apparatus and instruments for the Government service and for use in the industries of Canada; and the determination of

the standards of quality of the materials used in the construction of public works and of the supplies used in the various branches of the Government service;

(vi) The investigation and standardization, at the request of any of the industries of Canada, of the materials which are or may be used in, or of the products of, the industries making such a request

(vii) Researches, the object of which is to improve conditions in agriculture."

These powers show quite plainly that the National Research Council is a body for the use of industry and the Government. The word "consumer" does not appear in the whole Act, although the establishment of standards is one of the Council's major duties. These standards, however, are either for the benefit of the Government or industry, and, as Dr. H. M. Tory, the president of the Council, points out, the consumer only indirectly benefits from these standards in the goods he buys from the industries using such standards. (1)

Thus, briefly summarized, the functions of the National Research Council are "(1) To act as a Bureau of Standards for Government and for industry; (2) To conduct researches on natural resources; (3) To undertake generally scientific work at the request of the Government of Canada." (2) Thus its functions are almost identical with those of the Bureau of Standards at Washington.

The present standardization activities of the council are--

"(1) The setting up of fundamental standards;

(2) Supporting the Engineering Standards Association, its main committee being an associate Committee of the Council;

(3) A Chemical Standards Committee functioning mainly as a means of giving the chemical industries of Canada information regarding the nature of standards being put into operation elsewhere;

(4) A government's Purchasing specifications Committee, engaged at present in providing specifications for government supplies;

(5) An Associate Committee on Fire Hazard Testing, for standardizing, testing and labelling."(3)

In all these standardization activities the emphasis is laid on government and industry; in none of them is the consumer considered.

If the above were not enough to reveal to the reader the true functions of the National Research Council, perhaps it would be well to set down some quotations to which the writer was referred by the National Research Council itself in its Seventeenth Annual Report, 1932-34.

The analysis and testing of products in the National Research Laboratories is carried on "at the request of government departments, and commercial firms who desire to establish the quality of their materials" (4) Such testing, of course, is not concerned with consumers' goods.

Reports of a technical character dealing with industrial problems have been prepared for "individuals interested in agriculture and industrial development and business organizations requiring technical help", in addition of course to the government. (5) None of these reports, however, have been prepared for consumers.

"The subjects dealt with are related not only to the progress of pure science but also to the development of science in industry."

(6) Such subjects, of course, are not related to the development of science in consumption.

"Over 3000 tests were made on materials submitted by government departments and business firms." (70 But no tests were made

on materials submitted by consumers.

Tests for commercial firms are not undertaken "where work could be as well done by ordinary commercial laboratories." (8) This includes practically all consumers' goods. It has already been seen, however, that when tests for commercial firms are made by commercial laboratories, the results invariably, and also strangely, come out in favour of the commercial firms.

Among the miscellaneous reports turned in to the National Research Council during the year 1933-34 were those on pitchblende, aviation gasoline, synthetic resins, the drying of brewers' yeast, and above all food for ranch beavers. (9)---all popular consumer commodities!

One final instance out of many others which could be cited merely serves to strengthen the conviction that, in spite of its unlimited possibilities, the National Research Council only tests and analyzes commodities for industry or the government, and not for the consuming public. From an editorial in the Toronto Star Weekly of January, 25, 1936, the following is noted--"During the past year the National Research Bureau at Ottawa has brought to light a number of facts which will be utilized by Canadian industries....All sorts of odd investigations have been undertaken---many of the discoveries made are of a technical nature and mean nothing to the public at large, but are of great importance to the industry concerned." Nothing is mentioned in the whole editorial, of course, about consumers. The consumer pays, but industry reaps the benefits.

Because of the recommendations of the Royal Commission on Price Spreads, the Dominion Trade and Industries Commission Act was assented to on July 5th, 1935. (10) This act gives additional powers to the National Research Council. (11) These powers enable it to

(1) study and recommend commodity standards, and analyze any commodity as to the extent to which it conforms with the standards; (2) report upon the ingredients of a commodity, with special reference to harmful ingredients, quality, and probable performance; (3) reports upon any analyses or tests made are not to be used for advertising or commercial purposes in any way.

These powers do give the National Research Council some chance to help consumers by the analysis and possible standardization of commodities. Nevertheless, the commodities to be subject to investigation are not specifically mentioned in the Act to be consumers' goods, and it may therefore be pessimistically assumed that, conditions remaining as they are, they are not likely to be such goods. In spite of this, however, it is annoying to the consumer to see a body as well equipped as is the National Research Council for the preparation and dissemination of consumer information used solely for the benefit of the influential few.

(b) Consumers' Cooperatives.

A consumers' cooperative is composed of a group of individuals organized for their mutual benefit as consumers. (12)

The first cooperative was formed by 28 people in Rochdale, England, in 1844, and from this humble beginning has arisen the British Cooperative Wholesale Society, whose business in 1933 amounted to £ 84,000,000. This organization and the Scottish cooperative (13) Wholesale Society are now the largest manufacturers in Great Britain

The main principles adopted by the Rochdale Pioneers, which principles are generally followed today, are-- (14,15)

(1) Each member shall have only one vote, irrespective of the amount of capital invested, and this vote must, in case of retail societies, be exercised in person. This means that control is put into the hands of people and not shares.

(2) Invested capital is paid a fixed and reasonable rate of return, this rate not to exceed the prevalent legal rate of interest. Thus savings accumulate more rapidly than they would under an ordinary capitalistic enterprise.

(3) Commodities (and services) shall be sold at current retail prices.

(4) After providing for operating expenses and making appropriations to reserve and educational funds, etc., the surplus left is returned to the members in proportion to their purchases from the society. Thus profit is abolished and the business is carried on for service.

Other less important principles to which the members of the society usually adhere are--(16) (a) unlimited membership, which prevents exclusive organization, (b) cash payment for goods as far as possible, (c) Political and religious neutrality, (d) the promotion of education on cooperative lines.

When a cooperative is to be organized, the society incorporates and issues shares to the elected members. (17) These shares can only be sold with the permission of the board of directors (18)

By selling at the current market price, there accumulates in the treasury of the cooperative a surplus belonging to its members, this surplus being equivalent to what is usually called "profit". It is only natural that the members should want to pay this surplus to themselves as a cash dividend on patronage, although a certain allowance must be made for purposes of expansion and extension of the work. In this way it can be seen that cooperation is a scheme whereby the current of profits is made to flow, not into the pockets of producers as at present, but into the pockets of the consumers themselves. Thus this method changes the motive of industry from that of the acquisition of profits to that of service to consumers. (19)

Cooperatives also save the consumer a good deal of exploitation. For instance, he is in the advantageous position of being able to control his own supplies. This saves him from exploitation due to fraud, adulteration, advertising, etc.. (20) In addition, by abolishing the profit motive, the cooperative lessens the amount of exploitation because "people do not purposely cheat themselves." (21)

Having thus sketchily outlined the method of operation of the consumers' cooperative, it will perhaps be well now to proceed to a consideration of the present status and future possibilities of the movement in Canada.

The Cooperative Union of Canada is the national federation of Canadian Cooperative Societies, and the national member in this country of the International Cooperative Alliance. (22) This Co-operative Union of Canada, representing over 10,000 members in 1933, has affiliated with it sixty similar but local organizations, all of which are autonomous. The national union, which is financed by fees and donations from the affiliated bodies and some donations from outside sources, carries on mainly general educational work, although it does give some advisory service on business practice. (23) The growth of the movement in Canada, however, has been somewhat slow. Further development of consumers' cooperatives in Canada would, it is believed by the Royal Commission on Price Spreads, be of general benefit, since they would introduce a restraining influence on unfair merchandising practices by assisting in necessary consumer education. (24) Rapid development of the movement, however, cannot be expected, since this development depends primarily on education about cooperative ideas. Nevertheless, the state could do much to encourage the movement by helping to popularize cooperative principles with pamphlets and lectures on the subject. (25) Probably the greatest service that the government could do for the cooper-

tives, however, would be to provide suitable legislation for the incorporation and regulation of cooperative societies. At present, provision is made for this in all the provinces except the Maritimes, but there is no federal act providing for consumers' cooperatives, measures to this end never having been successful in the Dominion Parliament. Thus the Federal Government should give consideration to the possibility of legislation for the incorporation and regulation of consumers' cooperatives, permitting them to carry on business like any federally incorporated company. (26)

Remembering Mr. Carbassee's statement that "The cooperative system of organization may be used to supply any need or service for the consumers which is supplied by profit business or which is contemplated by the socialized state" (27), it can be seen that a great power for remedying the present evils of consumer exploitation is to be found in the consumers' cooperative movement. It is the writer's personal opinion, whatever it may be worth, that every encouragement should be given to the movement, but, knowing the individualistic temperament of the Canadian people, he predicts that the day of success for it is not yet at hand. Its greatest hopes lie in the future.

(c) Consumers' Research, Inc.

(The following information about Consumers' Research, or CR as it is popularly known, is obtained, unless otherwise stated, from the booklet "Introduction to Consumers' Research".)

"Consumers' Research, Inc. is a strictly non-profit, non-commercial, research and educational organization which studies and reports on goods and services from the point of view of their selection, purchase, and use by the ultimate consumer, and solely for the ultimate consumer's use and benefit." (28)

"The aims of Consumer's Research are simply and quickly ex-

plained; to provide a clearing house where information of importance to consumers may be assembled, edited, and promulgated; and to develop, as rapidly and as thoroughly as income permits, an art and a science of consumption by use of which ultimate consumers may defend themselves against the invasions and aggressions of advertising and salesmanship". (29)

The idea of CR first originated with the publication in 1927 by Stuart Chase and F.J.Schlink of "Your Money's Worth", a book which described the method by which competitive advertising and sales pressure exploit the consumer. So great was the interest aroused by this book that in December, 1929, Consumers' Research Inc., was formed. (30)

CR has been and is entirely independent, and in no way affiliated with, any other organization. (31)

In addition, with very few exceptions, such as the Bureau of Investigation of the American Medical Association, CR is the only nationally organized body anywhere which names inferior products in such a way that anyone can apply this knowledge in retail purchasing. CR also does not refrain from criticizing the products of any individual or corporation whatsoever. (32) As F.J.Schlink said in "A New Economic Agency Established to Guide Consumers' Purchasing" (33) CR does not refrain from the discussion of certain subjects because reputable government or academic authorities happen to be hired by commercial interests, or because it may offend some interest inside or outside its clientele.

In its literature, CR lists thousands of consumer products by their brand names as Recommended, Intermediate, or Not Recommended. It also gives general buying information, discussions of misleading advertising, consumers' defense against high pressure sales methods and other matters of economic interest to consumers. (34)

CR serves any consumer desirous of obtaining its information but does not and will not serve big business. (35) It aims to give to its subscribers the kind of advice available to some large buyers who have technical staffs and consulting experts.

The mere fact that CR recommends one product of a given manufacturer and reports unfavourably upon another product of the same company shows that it is unbiased and honest in its recommendations. In addition, all employees are carefully selected so as to weed out any with interests in any other business or organization. This reduces the possibility of bribery or favouritism to a minimum. (36)

The sources of CR's income also give evidence of its integrity. These sources are its subscriptions, the sale of back bulletins and reprints, and a few voluntary contributions, none of which are knowingly accepted from major executives of firms whose products have been listed or discussed by CR. No one pays in money, goods or services to have any product recommended or any unfavourable comment modified or omitted from the bulletins and Handbooks of Consumers' Research. (37)

CR does not discuss decisions with manufacturers before its reports are issued, nor does it consider appeals from them for reports on their products. Such information as is submitted to CR by manufacturers must be signed reports from impartial testing laboratories of recognized competence which will withstand expert examination. Other evidence, interviews or "briefs" on behalf of a certain product are not used in any way. In addition, "CR will not deal with advertising agencies on technical questions about goods and services treated in its pamphlets". (38)

Rather than be over-critical, CR in its policy merely attempts to report any consumer health or dollar hazard of significant importance known to exist. This policy applies not only to industrial

products , but also, as far as possible, to the activities of manufacturers, dealers, trade associations, advertising and publicity agencies, government bureaus and legislatures. It is also CR's policy to credit fully any excellent products on the market, because such information is more directly useful to the consumer. (39)

CR also does not claim infallibility in its material, and admits that occasional errors may creep into its work. (40) The very fact that its income is so limited makes impossible either complete coverage of its field or any guarantee of complete accuracy. (41)

On all subjects discussed, CR endeavours to secure as authoritative information as possible. The sources of this information are as varied and unbiased as possible. Some is obtained from over 400 expert consultants, reports from all of whom are critically analyzed before being accepted and used. These consultants are not named, mostly at their own request, in consideration for their material welfare. Commercial testing laboratories are not often used, because of the possibility of commercial bias. (42)

Because of limitation of funds, CR cannot possibly test everything. Consequently, it merely tests products and brands of products most widely distributed, most frequently needed and most inquired about by consumers. The information thus obtained is interpreted in terms which make it meaningful to any person of average intelligence. A rigid grading system, of course, although desirable is not possible in every case because of constant changes in the quantity, quality and package size of various products. (43)

CR does not devote its time to discussions and reports on luxury goods for which the demand is so limited that information about them would benefit only a few. Rather it directs its investigations toward the most commonly used consumers' goods, as noted above. (44)

In addition, CR does permit the quotation of ^{or reference to} its

its findings for use in advertising or sales representation. (45)

Finally, subscribers are urged to help CR by sending clippings about consumers' goods, by sending any technical suggestions they may be qualified to make, and by reporting their experiences with various products. (46) In this way a good deal of extra information is accumulated which would otherwise have perhaps escaped notice.

Such is an outline and summary of the work carried on by Consumers' Research, Inc.. Of what importance is, or may be, this organization in helping to protect the consumer from exploitation?

On the whole, Consumers' Research, contrary to the general habit belief that satisfaction lies in being able to buy the things made by producers, maintains that producers ought to make the things that consumers want. It also assumes that consumers want commodities which will perform physical functions well. Thus, by emphasizing the engineering point of view in consumption and giving relatively little attention to prestige and style values, CR appears to be calling upon consumers to base their standards of value not on the basis of appearance but on that of physical function. (47)

Miss Ayres (48) has summed up the whole of Consumers' Research very neatly as follows--"Consumers' Research is a radical organization. It emphasizes function rather than style. It works sincerely in the interests of consumers as it believes consumers ought to be---independent and rational and interested in getting the most physical value for their money. It antagonizes those who do not want to question their present standards of good and bad expenditure those who want to be foolish when other people are foolish and wise when other people are wise. Perhaps this is still the larger group?

Such an organization as Consumers' Research, as far as the writer can see, is the only type at present which can make this large group smaller. An organization along these lines in Canada

would probably do more right now to expose and remedy consumer exploitation than any other means. Therefore the author firmly believes that either Consumers' Research, Inc. should be extended into Canada, where thousands of problems similar to those in the United States still remain unsolved, or a very similar organization should be set up within the country. This would be the beginning of the end of those producers who take keen delight in exploiting the consumer to the greatest possible degree.*

* There are, of course, other private organizations working for the consumer. On the one hand there are those which grow out of the activities of a professional group, such as the Bureau of Investigations of the American Medical Association. The work of this society, however, although quite good, covers a fairly narrow field, namely, that of medicines and drugs. Most important, however, is the fact that its work receives a very limited circulation, in which the great body of consumers does not share. On the other hand, there are those consumer organizations associated with some business interest. Such are the "magazine institutes", the best known of which is that run by Good Housekeeping magazine, already criticized on page 30. In no case, as far as is known, do these institutes issue any warnings against trade marked articles; nor do they publish the results of their tests, the exact nature of which it is usually impossible to ascertain. Their obvious purpose is to build up the circulation and advertising of their own magazine, and thus nothing is usually said about the relation of price to quality. The standards of these institutes are naturally set in such a way that a fairly generous number of articles (and perhaps all) will be approved. (28)

(d) Price Maintenance.

The maintenance of prices has often been advocated as one means of protecting the consumer. It has been defined as "the fixing by a manufacturer of a minimum resale price less than which no distributor is permitted to sell his goods". (50) If this price is not observed by the retailer, the manufacturer affected does not supply him with any more goods. (51) Allowances would have to be made, of course, for the disposal of surplus stocks.

Many articles are even now being sold under price maintenance plans. To cite some of the more common instances, it is only necessary to mention a few of the many articles sold at fixed resale prices, e.g., chocolate bars, soft drinks, cigarettes, magazines, radios and automobiles. The value of the last two mentioned as illustrations, however, is somewhat lessened when the practice of "trade-ins" is considered. Maintained prices mean nothing unless the allowances made on trade-ins are also maintained. In Great Britain, there has been an organized price maintenance agreement between manufacturers, wholesalers and retailers in the drug trade for nearly forty years. (52) In Canada a similar agreement was attempted in 1927. The retail and wholesale druggists, together with the manufacturers of proprietary articles and patent medicines, organized the Proprietary Articles Trade Association, which instituted a system of price maintenance. The organization, however, was later dissolved as contravening the Combines Investigation Act. (53), largely at the instigation of Tambllyn's Limited, who were acting rather hypocritically, seeing that their firm was at the time a subsidiary of the Imperial Tobacco Company, which is responsible for the maintained prices of tobacco products in Canada. (54) From this, it can be seen that the Canadian Pharmaceutical Association, upon whose behalf the above evidence was given before the Royal Commission

on Price Spreads, is in favour of some method of legalizing general price maintenance. The Charlottetown Board of Trade advocated (55) "That on all goods nationally advertised, a price to the consumer shall be named, no retailer to be allowed to advertise or sell such goods to the public at lower figures, special provision being made for the disposal at reduced prices of faulty or imperfect goods and articles found to be unsaleable after a stated period of time." A.E. Brassby, representing the individual retailers in Manitoba, was also in favour of a resale price fixed by the manufacturer on all articles of commerce. (56)

What are the arguments in favour of this price maintenance scheme that seems to have so much support from manufacturers and retailers at least? The chief point in the plan's favour seems to be that it will save the consumer from the exploitation caused by loss leaders, which, it must be admitted, often do a great deal of harm. Nationally advertised branded goods are often selected as loss leaders. Such a practice results in other retailers cutting their prices on these goods or replacing them with inferior substitutes which are sold to the guileless consumer as "just as good". This practice, it is argued, could be stopped if the manufacturers of these articles were permitted to fix the retail prices of their products. (57)

It is also argued that these maintained prices would not be high because exceptionally high prices would mean more business to the competitor, and thus a falling off in the sales of the high priced article. Thus price maintenance would increase competition among producers, who would therefore make their prices as low as possible and strive to improve quality rather than lower it. (58)

In answer to this argument, it may be said that, if the minimum resale price is based upon the cost of production of the item to the

individual producer (and in theory it usually is), the difficulty arises as to the method of defining cost to the individual concern. There would be a great danger, indeed a strong possibility, that these costs would be needlessly padded, and the consumer would have to be protected by some agency if this were to be prevented. (59)

Then, if only branded articles were brought under such a price agreement and bulk commodities, as is often suggested, were left out of the scheme, there would immediately be a rush on the part of practically every producer to have his products branded in order to benefit from the maintained and definite, and probably higher, price. Finally, price maintenance is uneconomical because of the non-rigidity of our price structure. For instance, if costs dropped, maintained prices would probably not fall correspondingly, whereas, if costs rose they would undoubtedly rise too. (60)*

* The writer has here not discussed that method of regulating price generally known as "price fixing", by which the members of an industry, or a government body, cooperate in the setting of a compulsory minimum price for all the retailers in the industry. (e.g., the retail tobacco industry in Canada, the NRA in the United States.) This method tends to make the price set a monopoly price, and also tends to base the minimum price for a product upon a cost of production higher than that of the most efficient producer in the industry. This, of course, benefits the more efficient producers, subsidizes the less efficient ones, and exploits the consumer by depriving him of the advantage of being permitted to buy at the lowest price possible under ordinary competitive conditions. (61)

This method is so obviously harmful to the consumer that the writer did not think it worthy of consideration in the main body of this thesis. Nevertheless he admits that what Mr. Grassby had in mind in his recommendations (see page 69) may have been a scheme of price fixing and not one of price maintenance.

Thus, from the above discussion, it can be seen that as a whole price maintenance does not protect the consumer from exploitation. The whole scheme, which is usually urged as a measure against cut-throat competition, would probably do more harm than good to the consumer, although it would undoubtedly benefit the retailer. Granting that the scheme might protect the consumers from some exploitation due to loss leaders, the disadvantages resulting from almost certainly higher prices and possibly lower qualities would outweigh this saving. Consequently it must be concluded that the idea of maintained prices, which is really a modification of the old "just price", does not form the sought-for means of consumer protection.

(c) Consumer Education.

Consumer education is an important and effective means of guaranteeing against illegal trade practices. Public opinion, if organized and intelligent, could do a great deal towards abolishing the evils suffered by consumers today. (62)

Yet the consumer is practically disregarded by the government, to whom he should be able to look for help in such a case. It has been said that "the Government does much for business and industry, a fair amount for intermediate consumers, especially agriculturists, and practically nothing of consequence for ultimate consumers." (63) The few services which the government does provide for consumers are merely incidental to those it gives to industry and itself. It has often been stated that the information which the government supplies to a manufacturer is then passed on to the purchaser of that producer's goods. This, however, is not necessarily so, and, even if it were, it certainly is not much of a sop to throw in the consumer's face. It is maintained, of course, that the release of data on consumers' goods by the government would harm manufacturers, but, as things are at present, the consumer suffers much greater injustice

than the manufacturers ever could in the event of the publication of such data. Surely the data used by the government in its purchasing is good enough for consumers, and there is no reason why they should not have it. In addition, if the truth were told, the honest manufacturer would benefit a great deal from the resultant transfer of a lot of present business from the dishonest producer to him. Finally, the publication of government tests on consumers' goods would offset to a great extent the harm done by commercialized scientific work. (64)

Another field which might be used to help educate consumers is that in the schools. The government has offered no advice or service to public institutions or universities about the testing of consumer commodities, nor has it diffused its own reports and analyses in the schools. (65) Nevertheless, the schools and colleges could do a great deal to remedy the present lack of consumer education. For instance, the teaching in the schools of the simpler chemistry of food products, cleansers, textiles and other goods, and also the principles and working of common mechanical household products would be of great assistance to the consumer. (66)

The science taught in the high schools today is useless as far as consumers' goods are concerned. The teaching of science with special reference to these goods would, however, besides stimulating interest in science for the students, do away with many of today's common but erroneous assumptions. Even the universities avoid or neglect the most elementary consumer education, and put all their emphasis on production, rather than consumption. Thus courses in consumer problems should either be added to, or replace some of these now in university curricula. (67) In such courses, which would not require much technical knowledge or equipment, it is imperative that particular makers and brands be named, and not be

masked in alphabetical anonymity. The real value of these courses, however, would be that the students would appreciate the fact that with some scientific knowledge and manual skill they, as consumers, could make useful discriminations between various commodities.(68) Thus consumer education in the schools would help to develop in the young that critical approach to problems which would be of great help to them in later life.

There are other ways, in addition to altering school curricula, by which the government could help the consumer. Pamphlets and radio talks on the subject broadcast over the country could do much to awaken dormant interest in the problems of the ultimate consumer. Finally, the government can encourage (and it is interesting to note that the Royal Commission would welcome) any consumer organizations, either those for cooperative purchasing or those for the dissemination of consumer information. As the greatest obstacle to be overcome is the fact that consumers are not organized while producers are, such bodies, by bringing consumers together, would be of great help to the government in checking consumer exploitation.(69)

Thus it can be seen that consumer education offers great possibilities for the protection of the consumer from exploitation. If the schools and colleges can throw off the shackles of big business, which seem to enfold and poison every public institution in capitalist countries, a great deal can be done to show the consumer, only too willing to learn, how to buy the things he wants.

In this chapter, the actual or imaginary methods of protection of the consumer in Canada have been considered. The National Research Council, under its present method of operation, is of practically no use to the consumer whatsoever. These methods, however, could and should be changed to serve consumption, rather than production. Price maintenance must be on the whole discarded as ser-

ving the interests of producers and distributors rather than those of the consumers. The importance of the consumer's cooperative movement in Canada is at present negligible. In the opinion of the writer, for the present, an organization in Canada such as the Consumers' Research coupled with a well-planned system of consumer education could go far towards remedying our present economic ills. These matters, however, are reserved for fuller consideration in the next and concluding chapter.

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1. "RCF" p. 5093.
2. Ibid, p. 5138.
3. Ibid.
4. p. 12.
5. Ibid.
6. p. 13.
7. Ibid.
8. Ibid.
9. p. 45.
10. 25-26, George V., Chap. 59.
11. See Sections 16 and 17.
12. "P SR", p. 219.
13. J.P. Warbasse--Consumers' Cooperative Methods, "Ult. Con." pp. 166-7.
14. Ibid. pp. 167-8.
15. W.C. Good, Pres. of Cooperative Union of Canada, "RCF", p. 5069.
16. Warbasse, op. cit., p. 168.
17. Ibid.
18. Good, "RCF", p. 5070.
19. Warbasse, op. cit., p. 168.
20. Ibid, p. 169.
21. Ibid, p. 175.
22. Good, "RCF", p. 5077.
23. Ibid, pp. 5066-7.
24. "P SR", pp. 219-20.
25. Good, "RCF", pp. 5077, 5084.
26. "P SR", p. 220.
27. "Ult. Con.", p. 171.
28. p. 2.
29. p. 2.
30. p. 2.
31. p. 2.
32. p. 2.
33. American Federationist, April, 1931.
34. p. 2.
35. p. 3.
36. p. 4.
37. p. 4.
38. pp. 5-6.
39. p. 6.
40. p. 6.
41. Schlink, op. cit.
42. pp. 6-7.
43. pp. 7-8.
44. p. 8.
45. p. 9.
46. p. 11.
47. Edith Ayres--Private Organizations Working for the Consumer, "Ult. Con.", p. 161.
48. Ibid, p. 162.
49. Ibid, pp. 15-60.
50. R.P. Sparks, Investigator, "RCF", p. 2607.
51. Crowder, "RCF", p. 1686.

List of References and Footnotes--cont.Chapter IV--Present Methods of Consumer Protection.

52. Sparks, "RCE", p. 2607-08.
53. A.J. Wilkinson, Chairman of Council, Canadian Pharmaceutical Ass'n., "RCE", p. 2679.
54. Crowder, "RCE", p. 1686.
55. "P CE", p. 427.
56. "P CE", pp. 365-8.
57. Milton Damaen, Pres., American Safety Razor Co., in debate on "Price Maintenance vs. Price Freedom", over station WOR, Newark, June 17, 1930.
58. Ibid.
59. W.N. Loucks--Price Fixing, The consumer Faces Monopoly, "Ult. Con.", p. 121.
60. Major B.N. Namm, Pres., The Namm Store, Brooklyn, same debate as Damaen.
61. Loucks, pp. 117-21.
62. "P SR", p. 236.
63. Schlink--What Government Does and Might Do for the Consumer, "Ult. Con." p. 142.
64. Ibid, pp. 125-6, 132, 135, 139-40.
65. Ibid, p. 132.
66. "P SR", p. 235.
67. Palmer and Schlink--Education and the Consumer, "Ult. Con." pp. 191, 193, 195.
68. Schlink--The Consumer--Shall he Have Rights in the Schools? (Pamphlet)
69. "P SR", p. 235.

Chapter V--Conclusion--Suggestions for Reform.

In this chapter, it will perhaps be more expedient to consider first the recommendations of the Royal Commission on Price Spreads, and then proceed to other suggestions and the general conclusions.

The first and probably most important recommendation of the Price Spreads Commission in the matter of consumer protection concerns the standardization of consumers' goods. Standards of quality and performance became necessary in industry when manufacturers began to exchange products with one another, and the gradual development of such industrial standardization has characterized the recent history of all western nations. During the last few years the idea of commodity standardization has been carried over into the field of consumers' goods and a demand has arisen for a set of standards specifically designed to meet consumers' needs. The practical problem "is the establishment of specifications in which the consumer's as well as the producer's point of view is recognized".(1)

The purposes of consumer standards would be to assure the consumer (a) the quantity he pays for (measurement), and (b) the properties he pays for (quality). The latter also involves protection against dangers to health and property. (2)

The advantages of nationally recognized standards would be several. In the first place, they would help to eliminate the unfair competition caused by such practices as deceptive containers. They would tend to stop the degradation of quality to meet price competition, as was noted in the case of paint. Such standards, if revised periodically to conform with the advances of science, would tend to narrow the gap between the quality of the goods made possible by science and the actual quality now on the market. Finally, the use of such standards would in many cases force a lowering of the

high prices which the consumer now pays because of his ignorance and his enforced dependence upon brand names and advertising for guidance in his choice of goods. (3)

The purchase and sale of goods and services based upon standards such as those used by government and big business for their own benefit would bring an end to much competitive advertising and salesmanship and thus abolish a great deal of very profitable economic waste. If grading were done honestly and well, the product of the weaker manufacturer could stand on a par with, if not on a higher level than, those of the larger companies now controlling the field in several industries. If government backed standards and specifications were used by consumers, many advertisers, publishers and radio men who depend for a large part of their income upon advertising would run into disaster, since standards would force the substitution of actual quality for the exaggerated claims put forth in advertising material. (4)

These adverse effects upon certain sections of the community raise the question of the attitudes of the groups concerned towards the movement for consumer standards. Most manufacturers are uninformed about the movement, and those who do know something about it unite with the advertisers in considering it an attack upon the practices of branding and advertising. There is however, no essential conflict, as is commonly assumed, between the idea of standards and specifications and that of branding and advertising. Indeed, standards may be used in advertising as a support of brands. They might also help to take a great deal of "ballyhoo" out of present advertising, only a minor part of which is concerned with quality, durability or other characteristics which could be reduced to specific measurement. Like the manufacturers, most distributors, both independent and chain, seem to be as yet comparatively uninterested in

the movement, although a few of the larger department stores make use of standards for their own protection. Because of their lack of organization and consequent ignorance of the extent to which they are being exploited, consumers have only recently been awakening to the necessity for consumer standards. (5)

If standards and specifications are to be effective for the consumer, it is necessary that he be represented by experts during the process of testing the commodities and fixing the standards. He has not had in the past nor has he in the present any such representation in government standardization work, nor does the government even prevent grossly misleading advertising, as long as it misleads only the consumer. To be sure, if misleading advertising results in unfair competition between certain manufacturers or dealers, the government may step in and referee the resulting struggle between enterprisers. But never does it step in between the powerful, organized sellers and the weak, unorganized buyers. (6)

Although it would be difficult to secure the uniform application of standards over all of Canada, a detailed perusal of pertinent legislation at present in force, would show that modifications resulting in material advantage to consumers could be made. Nevertheless, some way of securing provincial cooperation will probably have to be discovered, before the application of uniform standards over the whole Dominion becomes possible. (7)

As a result of the memoranda submitted by Dr. H. M. Tory, the Royal Commission on Price Spreads recommended the creation of a Consumer Commodity Standards Board as a section of a Federal Trade and Industry Commission, one of whose members would be the chairman of the Board. There would be also on this Board, representatives of the National Research Council, the Department of Trade and Commerce and other government departments having to do with the administration

of the existing acts relating to commodity standards and qualities. In its work the Board would meet with representatives of industry and of the consumer. It would be the Board's duty to coordinate the technical work done and to advise on all matters relating to standards. It would also be charged with the establishment and enforcement of all consumer standards. The powers of the National Research Council would be extended to include the analysis and testing of consumer goods and the preparation of consumer standards and specifications. If such a service is to be of any use to the consumer, any evidence of his exploitation should be made public. Thus the Commission recommends that the Board in its work be permitted to publish the names of products and manufacturers. (8)

With regard to the prevention of adulteration, the Royal Commission recommends that there should be established a certain minimum standard of quality and performance "below which any product ceases to have the right to the name and becomes something else." If it is sold under the recognized name, misrepresentation occurs and the manufacturer can be prosecuted under Sections 488 and 489 of the Criminal Code. The enforcement of such a measure implies the compilation of a dictionary of trade names of products, to be accepted in courts of law. (9)

When dealing with the subject of marking and labelling, the commissioners pointed out that the manufacturer of a product should be required to place on the label or package of that product, his registered name and place of business. The adoption of the term "Canada Standard" is recommended for products conforming to the standards and specifications to be published by the National Research Council. Any products which may vary in quality should be graded. All grade designations should be numerical, such as grades 1, 2, 3, 4, etc., but, if this proves impossible, alphabetical grades

such as those now used in the case of eggs, should be adopted. Under no conditions should more than one grade be permitted above Grade A, and, if this grade is allowed, it should apply to only a very small percentage of the total product. If a special top grade is permitted in the numerical system of grading, it might be designated as "No. 1 Special", as opposed to "No. 1 Standard". This grade designation should refer only to the quality of the product, size being indicated independently, as is now the case with canned peas. In addition, any such grade designations should be printed distinctly on the label, in such a type and colour as not to appear part of the brand name. Any products of which knowledge of the ingredients is necessary for proper use, such as textiles, soaps, etc., should bear on the label or package a statement of analysis of the percentage of the more important ingredients. Finally, consideration should be given to the amendment of the Trade Mark and Design Act to make it a condition of registration of any trade mark or brand name that the commodity to which it is to apply be adequately marked or labelled in accordance with the above principles. (10)

Finally, the Price Spreads Commission recommended that in determining the commodities suitable for the application of consumer's standards consideration be taken of the extent to which a product is commonly used, the proportion of the average consumer's income spent on it, and the existing situation as to quality. There should also be immediate adoption of existing standards which can easily be turned to the advantage of the consumer. (11)

Many of these recommendations have been incorporated in the Dominion

Trade and Industry Commission Act,* already mentioned on page 58. Section 15 of the Act, although it gives to the Commission the power to study and report upon commodity standards, apparently does not give it the power to create and legalize such standards, which is really the vital point in this matter**

Sections 16 and 17, dealing with the additional powers granted to the National Research Council, have already been discussed in the previous chapter. Here the interesting point is that, in spite of the recommendations of the Price Spreads Commission that evidence of consumer exploitation by certain products or manufacturers be made public, there appears to be no such provision in the act. This is an omission which greatly decreases the possible efficiency of this new piece of legislation. In addition, there appear to be no regulations designed to prevent adulteration in the Act, with the minor

* The Dominion Trade and Industry Commission Act is one of the seven at present (February 15, 1936) before the Supreme Court of Canada for judgment as to their constitutionality. If this Act is thrown out, its rejection will just offer further evidence of the need for revision of the B.N.A. Act, and this revision should take place as quickly as possible, if the consumer is to be protected from exploitation in the near future.

** The National Research Council is empowered to prepare draft recommendations of commodity standards, and evidently these would be passed on to the Minister. Thus they would be brought before Parliament before being made legal. Under this procedure, however, there is a great danger of political expediency overcoming economic desirability. If political considerations are allowed to dominate this issue, the consumer will receive very little benefit.

exception of Section 17, 1 (b), which empowers the National Research Council to report "any adulterants and harmful, injurious or deleterious substances the commodity may be found to contain". Such a regulation will certainly not be sufficient to compensate for the consumer's present ignorance.*

Only one of the recommendations of the Price Spreads Commission with regard to marking, labelling and grading is included in this Act. This is to be found in sections 18 and 19, where it is provided that the words "Canada Standard" or the initials "C.S." shall be a national trade mark, the application of which to any commodity means that this commodity corresponds to a standard set up by the government. Where grade designations have been established by the government, the grade of such products must be conspicuously applied to the product or its covering, in addition to the words "Canada Standard" or the initials "C.S.". A penalty of a fine, plus imprisonment in the case of an individual, is provided for any violation of these sections. The only fault the writer finds with the establishment of such a standard as this one, is that it will in all probability be applied only to articles entering into the export trade, and thus will not benefit the Canadian consumer at all.

Another difficulty in the way of the progress of standardization which is not often appreciated, arises out of the method of grading. If a commodity were sold under, for instance, four grades, the top

* At present the consumer gets some theoretical protection from such pieces of legislation as the Food and Drugs Act, the Proprietary or Patent Medicines Act and the Meat and Canned Foods Act. In practice, however, this protection is very inadequate and almost negligible.

grade tending towards a luxury article and grades two and three being the best for general consumption, it is argued that these four grades should not be offered to the consumer as numbers 1,2,3,4, respectively, because of the inferiority complex in most persons which makes them always want to buy the first grade.(12) Although it must be admitted that this objection is not groundless, if these grades were government backed, consumers would soon see which grade was best suited to their purse and purpose and would then buy that grade. In this way the present false stigma of inferiority attaching to those buying No.2 or No.3^{grade} would disappear.

Mr. E.J.Young, in his Dissenting Report (13), points out the chief danger, however, when he says that the setting up of consumer standards might be so arranged as to play into the hands of big business. In other words, Mr. Young seems to believe, as does the writer, that there would be danger of the Commission sacrificing the interests of the consumer to those of the classes which the National Research Council now serves.

Grades can be established either by government action or by the voluntary action of producers and distributors. The latter method is never successful, either because the producers realize that satisfactory grades will reduce their profits or because the producers and distributors cannot come to an agreement among themselves. On the other hand the government can hardly be expected to impose standards upon manufactured consumers' goods as long as producers control Parliament. (14)

Here, in the writer's belief, is the crux of the whole standards situation, indeed of the whole consumer problem. There is no doubt that consumer standards are necessary, and therefore the recommendations of the Price Spreads Commission on this subject, limited as they are, should be approved and speedily expanded. If big business

stands in the way of the effective operation of the Act and such supplementary measures as it may be necessary to adopt, then the consumer must get rid of big business. Commodity standards have now become vital to the consumer.

Short weight, either as a result of short weighing on just scales or of correct weighing on scales with a distorted balance, is illegal under Sections 63 and 64 of the Weights and Measures Act. The Royal Commission recommended that, in all possible cases, the principle of net weight should be observed. Exceptions might be made, however, in the case of bulk goods sold over the counter, where the inclusion of a paper bag or wrapper in the weight might be allowed without serious harm provided that the maximum weight of bags is fixed in relation to the weight of the contents. In the case of any product liable to shrinkage through evaporation, "net weight" should be taken to mean the "anhydrous (dry) weight", or bear some relation to it. If this were done, loss of moisture would be provided for, but standards of moisture content for all such commodities would have to be determined and published. There should also be more effective supervision and more frequent investigation and prosecution for (15) fraud arising out of violations under the Weights and Measures Act.

The Price Spreads Commission also recommended that legislative provision should be made for the standardization of the quantities in which any packaged commodities may be sold. In addition, the net weight of the contents should be clearly marked on the retail package, exception being made only in the case of bulk goods sold over the counter and weighed in the presence of the customer. For most foodstuffs sold by weight or volume, packages and containers should only be permitted for certain authorized and standardized sizes, as at present set out in the Meat and Canned Foods Act. Such weight or volume would be shown on the package. These regulations

should also apply to all imported goods, "exceptions to be provided for regular importations or importations not intended for resale". Exceptions to the above regulations might also be made in the case of specialty foods not sold in large quantities, and in that of the ten cent packages of well known branded articles commonly sold in variety stores. (16)

The Commission on Price Spreads further pointed out that the publication of false and misleading advertising is an offense under the Criminal Code, "but it appears that the difficulty of prosecuting in the courts and the delay which often attends legal action makes this form of control too cumbersome to be effective". The removal of these abuses depends upon the adoption of strict advertising ethics and the development of quality standards for consumers' goods. A stiffening of the Criminal Code would also do a great deal of good. In addition, those making guarantees should be subject to prosecution unless the guarantees are based upon an adequate and proper test, such as one made by the National Research Council. (17)

The above is a brief summary of the recommendations of the Royal Commission on Price Spreads dealing specifically with the consumer. On the whole, the writer is in hearty agreement with these suggestions as far as they go, but before passing final judgment on the Commission's report he feels that it is necessary to consider from the point of view of the consumer, the functions of that body whose creation was its chief recommendation--The Federal Trade and Industry Commission.

Omitting all details as to the constitution and method of setting up this Commission, it may be at once admitted that its proposed functions with regard to the regulation of monopolies are designed primarily to protect the consumer. Other steps, however, must be taken, to protect him from his own ignorance. Many harmful

practices would not continue if a number of federal and provincial acts now in existence were strictly enforced. It was proposed that the enforcement of these laws and also those dealing with consumer standards would be a function of the Trade Commission, which, unless otherwise provided, would be the central agency for supervising the enforcement of all laws designed to protect the consumer. This commission would also be the central agency for receiving complaints about violations of any such laws. If the complaint involved a technical question, it would be referred to the existing governmental agency, if any, already responsible for that type of work. If there were no such governmental agency, the Commission would have to make this investigation itself. Intervention of the Commission, however, would be restricted to only the most flagrant cases of consumer exploitation or to general complaints received from such bodies as Boards of Trade and Chambers of Commerce. (18) It would seem that this last recommendation largely detracts from the value of the provisions outlined earlier in the present paragraph, since for all practical purposes it limits the making of complaints to bodies which represent primarily, producers, and not consumers. Nevertheless, as a result of the above recommendations of the Price Spreads Commission, the Dominion Trade and Industry Commission Act was passed, creating a Dominion Trade and Industry Commission, the members of which are to be the present members of the Tariff Board. This Commission has already been set up, but is doing very little work pending decision of the Supreme Court.

There are some other provisions in this Act as passed which may possibly be of interest to the consumer. Section 14 (1) provides that the newly created commission may recommend that certain agreements regulating price and production in an industry be approved, if it believes that such agreements provide the method for preventing

wasteful or demoralizing competition in that industry and at the same time are not detrimental to the public interest. The author believes that this clause offers a great opening for exploitation of the consumer through the raising of prices or the limitation of production.

Section 20 of this new Act permits the Commission to receive and investigate complaints of unfair trade practices and, if the practice complained of constitutes an offence against any Dominion law, the Commission may recommend to the Attorney-General of Canada the prosecution of all those responsible. This section seems very weak to the writer. In addition to providing no definition of "unfair trade practices", this section postulates an amount of red tape which would considerably increase the costs and lengthen the time of such a prosecution. Even if all these obstacles were surmounted, the regulation of such practices would no doubt be largely carried out as usual from the viewpoint of business and industry, and not from that of the consumer. Thus the possible usefulness of this section to the consumer would in all probability, be almost negligible.

Section 23 states that the Commission may have fair trade conferences with representatives of an industry (but none of consumers) to determine any unfair practices in that industry. In Section 24, cooperation with Boards of Trade is recommended in the case of any commercial arbitration being conducted by or under the direction of any Board of Trade or Chamber of Commerce. In both the above cases, government and industry alone are represented; the consumer is left out.

What may be said, from the viewpoint of the consumer, concerning the Report of the Royal Commission on Price Spreads? In a Memorandum of Reservations to the main body of the report, Messrs. Boulanger, Factor and Illsley state that "We feel that throughout the report there is a tendency to consider inadequately the interests of the

consumer as such". They point out truthfully enough that the present tendency is not to think of consumers as a coherent group, but rather to think of people in society as producers. Further, they appear to believe that the interests of the consumers were sacrificed in a search for price raising methods, when what was really needed was an adjustment of prices between different groups of commodities. (19) The writer agrees with these dissenting commissioners that the consumer received inadequate consideration in the Report, as well as in the Act. Although there were hundreds of pages in the evidence dealing with matters of vital importance to him, only 14 pages out of a total of 275 in the main body of the Report are devoted to the consumer. Much more of the Commission's efforts seem to have been taken up with consideration for the producer and the distributor. While obviously the consumer should have received a great deal more consideration than he did, such protective recommendations as were contained in the Price Spreads Report should be welcomed at least as a beginning in an investigation of consumer problems. Although a large section of the field of consumption economics still remains relatively unexplored, our present state of knowledge would permit the introduction of many additional regulative reforms.

It seems more or less obvious that because of the inherent defects and limitations of both the above recommendations and legislations some organization or agency is necessary for the protection of the consumer, and the time has now come to discuss the form which such an agency might take. Consumers' Research advocates the organization of a Department of the Consumer in the federal government. The duties of this department would be to educate the consumer, to protect him from exploitation and to encourage and advance researches in matters pertaining to consumers' goods and services. (20)

Although such a body would be of immeasurable benefit to the

consumer, it is the writer's opinion that, in Canada at least, the creation of such a department is too much to be expected under present conditions. It must be admitted that producers' interests are well represented in the government by the Department of Trade and Commerce, and it seems only fair that the consumers should be accorded at least equal influence. Nevertheless, a Department of the Consumer, however, great the need or desire for it may be, is not a matter of practical politics in Canada today. Therefore the writer is led to suggest what in his opinion would constitute the most effective alternative organization for protecting the interests of the consumer in Canada, under present circumstances. This body, which should be a government body, might well combine the best features of Consumers' Research and the National Research Council. It should undertake to analyze all the popular consumer commodities, much after the fashion of Consumers' Research. In addition, it should report upon the intrinsic worth of these goods. It should also see that the marking, labelling and grading of all products correspond to standards set up by the government. Measures and containers should be of certain sizes stipulated by the government. Now comes the really vital point, which would be of great benefit to the honest manufacturer as well as to the consumer. When all these tests upon a commodity had been completed, a report should be published. These reports could not be like those of Consumers' Research, which recommends commodities as A, B, or C, because of the danger of libel suits in the Canadian courts. Rather only those reports which were favourable could be issued, nothing being said about those unfavourable unless they contravened the Criminal Code. Thus the omission of such a report would be a tantamount to disapproval by this government body, and yet no grounds for libel would be set up. If a commodity, when tested on the basis of pre-determined standards, obtained a score of 75% or over, it might be granted a red seal, some-

what similar to those now employed by the magazine institutes, and this seal would signify government approval of ^{that} commodity as an A1 product. If the commodity obtained a score of from 60% to 75% in the tests, it might be granted a blue seal of government approval. No seals should be granted to commodities testing lower than 60%. Permission should be granted for this seal to be placed upon the retail article and also to be used in advertising. Such tests, of course, would have to be conducted on a strictly impartial and very high plane. Neither seal of approval should be given unless the commodity came up to the same high standards as those now used by Consumers' Research. Finally, a list of every product which received either the red or blue stamp of approval, together with the name of the manufacturers, should be published in the daily press at certain stated intervals, a month probably being the best period. This would remedy one great flaw in the present system of religiously suppressing any information of value to the consumer. Such a list as is advocated here, published monthly, would soon educate the consumer so that he would look for the red or the blue seal upon the articles he buys. Seeing this tendency, most manufacturers would rush to have their products tested and, if they did not pass the test, would be compelled by the forces of competition and increasing consumer enlightenment to either withdraw their products from the market or make products whose ingredients and prices would pass the stiff tests set up by this newly created government body. In this way would the consumer gradually come into his own and get in each purchase the maximum in quality and quantity for the price.

Immediately, however, the cry is raised, "It is a hare-brained scheme; it would cost too much; the tax burden is already too high!" As far as the cost of equipping such a body is concerned, the reader need have no worry, since the National Research Council is already

well equipped to take care of practically all such analyses of consumer goods as would be required. At last its fine laboratories would be put to their best use. Although admitting that the cost of such an agency as he advocates would have to be borne by taxation, the writer strongly argues that no additional taxation would be required. At present, thousands of dollars are being spent annually at Ottawa with no tangible or theoretical benefit to the ordinary consumer-citizen. A fair proportion of such money is being spent for the benefit of big business and industry and is being used by them to exploit the consumer. Let the greater part of this money, including, for instance, the larger proportion of that spent on the National Research Council,* be turned to the upkeep of this suggested agency, which would then give to each consumer-citizen a tangible result in dollars and cents for every dollar collected in taxes. At present the consumer pays many taxes which are used for the benefit of business and industry. Certainly a fair proportion of the taxes collected should be spent for the consumer's benefit. From all the above reasoning, it can be seen that the National Research Council, separated from industry and big business and with powers and duties like those of Consumers' Research, could provide the Canadian agency whereby exploitation of the consumer might be greatly decreased.

One of the chief problems raised by the Report of the Royal Commission on Price Spreads is that of controlling the spread be-

* The writer is here not recommending that the National Research Council refrain completely from helping industry, to which many valuable contributions have been made by it. Rather he suggests that a smaller appropriation be set aside especially for industry's work, which would be carried on independently of the Council's work for the protection of the consumer.

tween the producer's cost and the consumer's price. Under the present economic system, all costs, plus a profit, must be included in the consumer's price, or the system will eventually break down. Theoretically the price the consumer pays is based on the cost of the article purchased; actually, however, because of the absence of effective competition the prices of an increasing number of manufactured goods are set not by costs but by what the articles will bring in the market. In a dynamic society where some prices fluctuate under competitive cost control and others are maintained by monopolistic or quasi-monopolistic regulation of output, the general price structure of the country tends to be in a chronic state of disequilibrium. The products of the primary producers and the unorganized manufacturers will not purchase an adequate amount of those produced under non-competitive conditions. Present spreads between the producer's cost and the consumer's price, therefore, must be narrowed wherever such spreads are exorbitant, and this condition obtains in a large and increasing section of our economic system. The solution to this problem can never be found if it is attacked exclusively from the viewpoint of either the primary producer, the secondary producer or the distributor, all of whose interests conflict. The only way of solving the problem is by attacking it from the viewpoint of the consumer, since everyone, producer, distributor, and all, is a consumer. It is neither just nor economic that the consumer should have to pay the costs and profits of producers and distributors who are permitted to charge what the traffic will bear regardless of these costs. Consequently, the consumer, who is the only one in the economic system who cannot pass on his costs to someone else, must be protected from the possibility of serious maladjustment in our price structure. (21)

This maladjustment has largely been a result of the tendency in

our economic life during the last century to direct public policy in the main towards the protection of occupational groups. For a long time certain of these groups, notably the one owning and controlling the instruments of production, found organization among themselves a fairly easy matter, and this enabled them to secure special legislative privileges not open to other groups with insufficient strength to bring pressure to bear on the government.

"Unless there is some vision beyond these group interests...Society may be split up into a number of competing groups, each struggling for its own advantage, and if governments find it increasingly necessary to take a hand in the preservation of a balance between struggling groups, then---we might very easily drift into fascism with knowing it." Here the speaker has in mind particularly the manufacturing interests of Canada. Thus, he concludes, if any real prosperity is ever going to appear, there must be between these groups a social harmony which has not yet been achieved. (22)

The reader may consider this view an unnecessarily pessimistic one. Nevertheless, modern large-scale industry depends completely for its functioning upon the ability of effective demand to continuously absorb a sufficiently large supply of goods to keep the industrial organization working at near capacity. If, for instance, the consumer were to refuse or were unable to buy beyond his bare necessities, nothing could save the remnant of the present business system. The consumer must and will be served, or his refusal or failure to buy what is produced will bring the tottering business structure crashing down upon our heads. (23)

The test of the efficiency of any economic system is not the amount of wealth which it provides for those who live upon dividends or advertising revenue but the degree to which it performs the function of putting goods of the greatest possible quantity and highest

possible quality into the hands of the consumer. Our system as it is working at present in Canada does not meet this test, in the writer's opinion. Although dividends are now being paid in many cases and advertising space is holding up remarkably well, the welfare of thousands who cannot even buy the inferior products now on the market is dismissed either with a shrug of the shoulders or with a grunt of "Give them relief". Nevertheless, any suggestion to change or modify the economic system in order to do away with such conditions meets with violent opposition from the representatives of business and industry, who immediately attempt to show how well the present system is working or will work if left to itself. It is the sincere conviction of the writer that the system has been left to itself too long, and that this is the cause of the trouble. He finally believes that the exploitation of the ultimate consumer outlined in this thesis is a result of the extension of monopoly, and that if this extension is to be checked it can only be checked by the intervention of the state in business and industry. This intervention need not take the form of government ownership and operation of business; it need only restore democratic competitive conditions. Those in power at present are always clamouring for "less government in business and more business in government"; yet the chief trouble with governments today is that there is too much business in them. Here in Canada the two major political parties are dependent upon business and industrial interests for a large share of their financial support. Consequently, in return for this support, business demands that its interests ~~can~~ be served by the government. He who pays the piper calls the tune. As long as such conditions prevail, every possible chance of materially helping the consumer by means of legislation can be checked in some way or other by these powerful, organized business interests and their lobbies. Consequently these

vested interests must yield to the needs of the consumers. If the present monopolistic tendency is allowed to continue there is a real danger of big business getting completely out of hand, if it is not so already, and openly asserting a fascist control over the country. This movement must be checked while there is still time, and there is not much time left if the present increasing rate of monopolistic domination continues. If such a state of affairs is to be avoided, the citizens of Canada must be aroused from their present lethargic condition, the influence of business and industry upon government policy must be radically curtailed and legislation must then be passed which is designed primarily for the benefit of the great masses of the people. Then and only then, will the existing economic system perform with its maximum efficiency its primary purpose of serving the consumer.

Chapter V -- Conclusion -- Suggestions for Reform.List of Footnotes and References.

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 4. Schlink--Safeguarding the Consumer's Interests.
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 8. "F SR", pp. 238-9.
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 10. Ibid, pp. 240-1.
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 12. Agnew, op. cit., p. 68.
 13. "PSR", p. 306.
 14. Kallett--Counterfeit. p. 91.
 15. "PSR", pp. 242-3.
 16. Ibid, pp. 244-5.
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 18. Ibid, pp. 268-9.
 19. Ibid, pp. 277-8.
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 21. J.B. Housner, financial editor of the Toronto Star, in article entitled "The Cost-Price Problem", in the Toronto Daily Star, summer, 1935.
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