



GOVERNMENT'S PART IN OUR DISTRIBUTION SYSTEM

ROBERT E. FREER, MEMBER

FEDERAL TRADE COMMISSION

Washington, D. C.

you how to do that; but that I was going to tell you that it was a subject that demanded your attention. I'm very happy that you are having this conference because I think out of it will come some progress toward solving this extremely important question.

In Printers' Ink, April 28, 1944, the President of an advertising agency had this to say about distribution: "It costs too much to distribute merchandise and services. For every dollar of product value the consumer pays an average of two dollars and ten cents. Sixty percent of labor earnings are lost in the process of exchanging labor product for labor product. Is the maintenance of that kind of free enterprise all that business can offer to the world of tomorrow?"

In the March 23, 1944, issue of The American Wool and Cotton Reporter, a leading article cites the costs of getting taffeta into the hands of the consumer as "several times" the original cost of the fab-

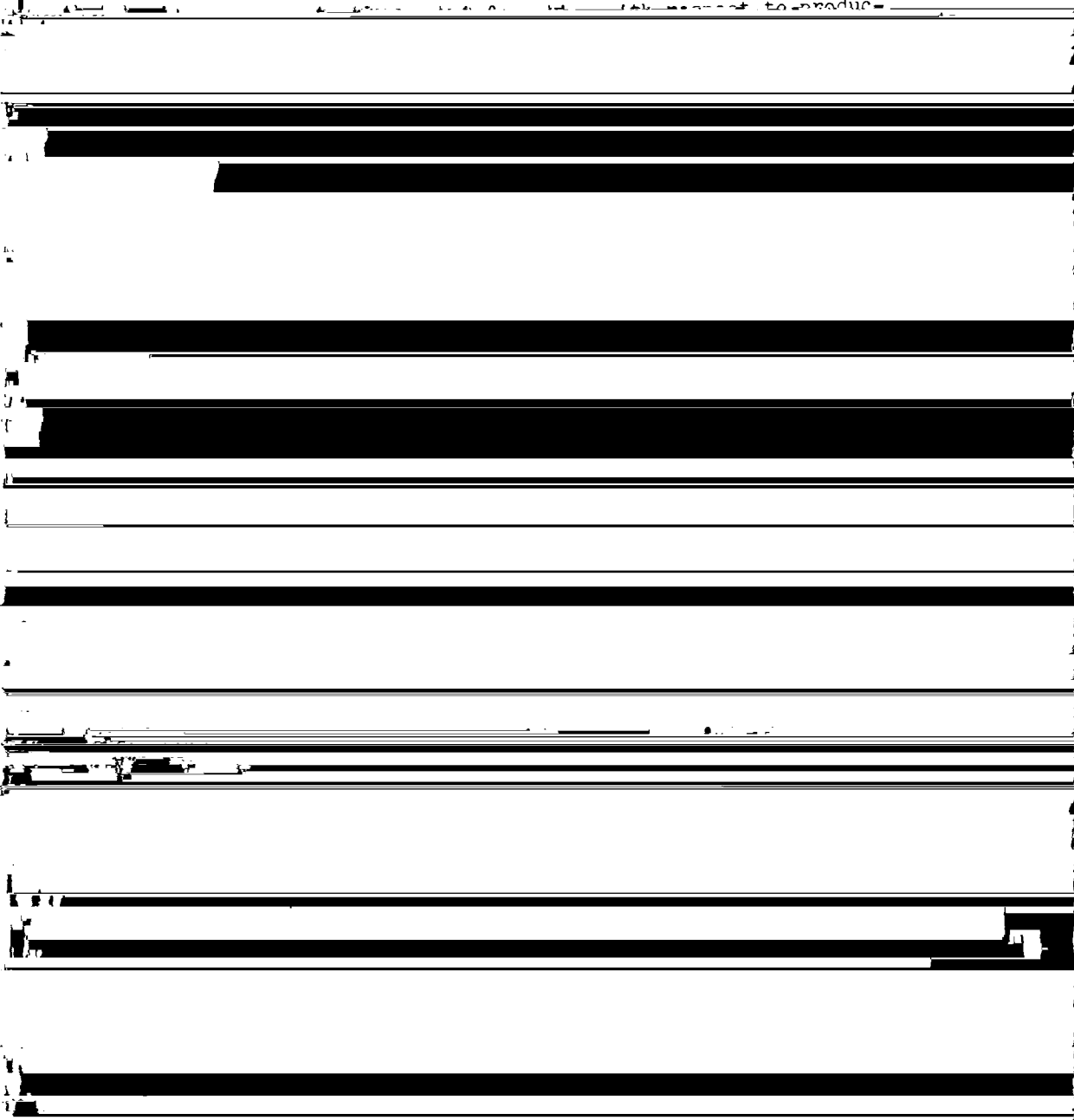
food lines. Associated retailers have formed wholesale organizations while the wholesalers supplement the distribution organizations of manufacturers. The food trade also has cooperative wholesale grocers, that is wholesalers buying for associated grocers. They've achieved much lower distribution costs than the old-line wholesalers. In 1939 the cost of the former was 5.87 cents per dollar of sales compared with 9.65 cents for the latter. I'm not going to read you a lot of figures from our reports for 2 reasons. First, I think that figures are very poor post prandial dessert; second, I don't want to tell you what is in the report, because I hope those of you who are interested

charges which were either nearly double or more than double those in the other cities. On the other hand, the Boston Chain store retailers took a smaller proportion of the consumer's dollar than the chains in New York, Philadelphia, or Chicago. In other words, the extra expense did, in part, come out of handling costs rather than out of your farmer's pocket.

TABLE I

NET PROFITS TO GROWERS AND TRANSIT CHARGES PER BOX FOR PACIFIC NORTHWEST

free to engage in any new venture even if it be foredoomed to failure. But it is only successful ventures which are of permanent benefit to our country. Hence, new ventures should be carefully chosen and in that regard I want to put in a plug for the federal government. It can collect and currently furnish facts and figures, sufficiently comprehensive with respect to the aggregate profitableness of existing business enterprises, as will minimize the risks of sowing venture capital and vital energy on unproven ground. I know from my work in the Federal Trade Commission,



peacetime economy. The Commission's legal activities are concerned with preventing distribution methods "regarded as opposed to good morals because characterized by deception, bad faith, fraud or oppres-

commodity depends upon consumption. The manufacturer cannot long continue to produce and distribute his product unless the consumer will buy. We had a buyer's strike following World War I in protest against the price of clothing; I remember a United States Senator appearing in Congress dressed in overalls. We again have buyers worried about high prices.

Balance is an essential element in efficiency of any kind, whether in the process of producing, distributing, or consuming goods. If we



incentive to monopolize the benefits unless prodded by the spur of competition. In competitive sport the game is for one competitor to outdo the other. And the contestants are expected to call upon their varying abilities and reserves of efficiency for that purpose. We would regard the game as fixed and fraudulent were it otherwise. It is the effort to outdo the competitor that creates and releases unsuspected reservoirs of ability and efficiency in all the contestants. Let's not