

behind the movement of commodity prices. The explanation appears to be that on the upturns increased sales of general commodities with inherent price increases are required to stimulate sales of newsprint, behind which lags its own inherent price increase, while on the downturns sellers of general commodities still persist with their efforts to stimulate sales on a falling market, so temporarily maintaining newsprint demand and price at a higher level than that of general commodities. The same tendencies further explain the lack of sensitivity or response of newsprint prices to very short-term movements in general commodity prices.

It will be observed that the only period during which newsprint prices remained consistently above general commodity prices was from 1921-27, confirming the conclusion already arrived at that real excess capacity was not created until after 1927, by which year Canadian capacity had increased to only 2,475,000 short tons, as compared with the 3,825,000 which it attained in 1931—a difference of 1,350,000 short tons. Referring also to Graph I and Table 1 of the Appendix, it is to be noted that for the period 1930-31, where the United States of America trend lines cross the basic data line, the average idle capacity is 1,350,000 short tons. It was this enormous excess capacity (now entirely wiped out) which accounted for the huge lag and disparity between newsprint and general commodity prices over the 1932-46 period.

(b) Newsprint Prices in Immediate Future

That with general commodity prices already well past their peak there is some apprehension regarding an early fall in newsprint prices, but that the strong statistical position disclosed by current studies indicates rather the reverse. The current deflationary movement has been characterized by an entire absence of loss of confidence or panic by any industry or section of the community and is much in the nature of an orderly readjustment. Although more cautious in their buying, consumers are taking advantage of the better selection and supply of many goods to fulfill long-delayed wants. This has maintained newsprint sales, and current statistical reports indicate that the immediate future demand will be significantly greater than anticipated. It may even be sufficient to cause an increase in price.

A repetition of the commodity price collapse of the 1920-21 period appears most improbable. The supporting and cushioning factors now operating must tend to spread any fall over a much longer period than previously. This likewise would tend to maintain newsprint demand at high levels with little likelihood of any fall in price. The President's four-point policy of assistance to backward nations, including the supply of newsprint as so earnestly advocated by UNESCO at the Montreal Conference, will tend to have a similar effect.

The extent to which newsprint prices are likely to fall in the immediate future is difficult to determine, but a valuable indicator is available from a study of previous experience in the movement of both commodity and newsprint prices interpreted in the light of interim developments. The general labour force has now become so highly organized since World War I as to introduce an entirely new rigidity into the wage structure. Concurrently there have been onerous forms of price control and profit limitation, both direct and indirect, through taxation and the operation of anti-trust laws. There has been some fear that both would react to create a sharp depression of considerable magnitude, driving commodity prices down close to or even well below the trend line. Some economists and industrialists have even tended to favour such a type of readjustment as preferable to a more gradual one necessitating considerable patience and difficult planning, but national feeling is definitely crystallizing in favour of the latter as essential to any form of political stability acceptable to the American people. The weight of evidence indicates a strong probability that not only will commodity prices move down gradually, but that by virtue of the strong statistical position of the industry newsprint prices will move significantly above commodity prices and remain above them