

accumulating you should know beyond doubt the ultimate effect of such a situation is price recession. \* \* \* When conditions demonstrated by the barometer show production in a dangerous condition, we should apply the remedy individually, without consulting our neighbors and without discussing it with our friends, trusting to their business acumen and good sense to do likewise."

This appeal by the president of the association was published and circulated in an official association pamphlet entitled "Pine and Patriotism." At this time there was outstanding a public appeal by the president of the United States for the greatest possible production as a war measure.

There is also evidence herewith of subsequent efforts by association leaders to keep the membership awake to the importance of restricting their individual production proportionately to any excess of the total production over the total demand, as indicated by the barometer. In a letter of June 26, 1919, Mr. Chas. S. Keith, in discussing the general distribution of the barometers, stated that when "the public might expect a recession in values," the manufacturer "should quickly see the condition and apply the only corrective remedy, to wit, instead of normal production while the public is buying less, the manufacturer should produce less lumber." Mr. Keith stated that if this were done the buyers were welcome to the information contained in the barometers, especially since the mills had knowledge of the barometer information four or five days in advance of the public.

As shown by the association barometers, the production of southern pine has been below "normal" ever since 1916, and with the exception of six or seven scattered months the orders placed during the same period have also been below "normal." It would seem to follow that the high prices obtained for southern pine lumber have not been the result of unusual demand as such, but because the demand has almost constantly exceeded a less than normal supply.

The continued shortage of production as compared with the demand has been reflected in prices and profits. For the year 1918, 39 southern pine companies paid excess profits taxes averaging 43.5 per cent on their combined sales, 13 of them paying more than 50 per cent each, as reported by them to an official of their association. These profits were made while an average price of \$28.00 per thousand feet or less was in effect, that figure being the government maximum price during the last six months of 1918. The excess profits taxes for 1919, when the average price realized was \$35.00 per thousand, and for 1920, when the average price at times reached from \$55.00 to \$59.00 per thousand, are not available to the commission.

The documents show that besides regulating the production to the demand, the Southern Pine association has been the medium for direct and concerted action on prices, both before and since the war. The association, however, has been less open in its dealing with the price question than many of its sister associations. Several of its prominent members had been found guilty and heavily fined by the Supreme Court of Missouri in 1914 for having conspired among other things, for the purpose of curtailing production and fixing prices through the medium of the old Yellow Pine Manufacturers association, as reported in 260 Missouri Reports, page 212.

As a result of this decision, the present association was formed in 1915, and within a few months after its formation its leaders were busily engaged in a movement not only to curtail production but to advance prices. As the result of a meeting

on April 20, 1915, the southern pine manufacturers put advanced prices into effect and also began to curtail production. In September, 1916, Mr. Chas. S. Keith invited four of his principal competitors, who had control of the bulk of the stocks on hand, to raise their prices. This group had led in curtailing production and had accumulated heavy stocks in an effort to hold the market. Mr. Keith's invitation was accepted.

In April, 1917, the same month war was declared, prices were advanced at a meeting held in Memphis in connection with a meeting of the association directors as shown by correspondence of Mr. Edward Hines, who was prominent in the deliberations of this meeting and described the advances made in a telegram sent to his Minnesota mill, urging the Minnesota manufacturers to advance their prices correspondingly. In October, 1917, conferences were held at Chicago and Memphis as a result of which prices were advanced, as shown by letters, including those of Mr. Hines, who was active in these conferences and described the results secured.

In 1918 commercial orders were being favored by the manufacturers in preference to government orders because the commercial prices were higher. The government, for its own protection fixed maximum prices on southern pine, for commercial as well as government purposes. The manufacturers took the position that the government maximum prices should be treated as a minimum and not infrequently exceeded the legal maximum. On November 22, 1918, following the Armistice, the manufacturers held a national conference in Chicago. In this the southern pine manufacturers were prominently represented. The manufacturers expressed themselves as a unit to the effect that the government maximum price should be adhered to as a minimum basis until government control expired on December 23d, 1918.

A few days before the expiration of government price control, a meeting of southern pine manufacturers was held at St. Louis, Mo., under the auspices of the association's committee on sales and distribution. As a result of this meeting, documents evidence that prices were radically over the government maximum and that the market was held firm at the advanced figures in the face of a weak demand for several months. Government requests through the industrial board of the department of commerce for a reduction of prices in the spring of 1919 were refused by resolutions adopted at New Orleans, one ground given for the refusal being that concerted action to reduce prices would be a violation of the law. Yet by their concerted refusal, they ratified and confirmed their concerted action of several months previous in advancing prices. At the New Orleans meeting, Chas. S. Keith, gave notice of his right to sue for triple damages under the Sherman Law, those manufacturers who might join together to accede to the industrial board's request for a reduction in prices.

During the same period the southern pine manufacturers conducted a campaign to induce the fir manufacturers of the west coast to raise their prices so that the advanced prices on southern pine might be maintained and further advanced. The fir manufacturers concertedly raised their prices in April, 1919, and the opportunity was thus given for southern pine to make further advances. This was followed by rapid advances in the price of fir and all other competitive woods. About this time the "build a home" campaign brought the public into the market, and prices went through a sky-rocketing process, which put them, in the words of a prominent lumberman,

in a letter herewith submitted, "far beyond anything the present generation ever dreamed of."

A review of the conditions obtaining in the manufacture and sale of southern pine since the close of the commission's formal investigation in June, 1920, is of interest.

When the market showed signs of weakness last June and the recession from the abnormally high prices then current began, the mills generally curtailed their production as shown by the association barometers issued since that time. That curtailment has continued to the present. It appears that the southern pine mills as a whole have lately been curtailing to the extent of nearly 50 per cent of their normal output, that the downward price tendency has already been checked as the supply has been brought below the demand, and that prices have again started upward.

While the wholesale prices of southern pine receded materially from the unprecedented figures of last spring, the average price obtained by a representative manufacturer during December, 1920, was about \$7 per thousand feet in excess of the government maximum of \$28, under which the industry made large profits. Item prices on substantial portions of the production are still far in excess of those obtaining under the government maximum. An increased demand would seem to be all that is lacking to bring about much higher prices.

As indicated by current trade news, the southern pine manufacturers are prominent in a campaign now being organized to induce the public to believe that prices will not and cannot be further reduced owing to the cost of production and that they should not further delay any contemplated building operations. In this connection, the cost of production has been enhanced by the continued operation of the mills far below their capacity and normal output.

This campaign is being conducted under the auspices of the National

Lumber Manufacturers association, and special assessments have been and are being voted by the various affiliated regional associations, to raise a large fund for the expense of the campaign. The National Manufacturers association has also requested the retail lumber dealers of the country to contribute to this fund and to join in this movement to stimulate buying.

A similar campaign was successfully carried out in 1919. Many thousands of dollars were spent for advertising purposes and the retail lumber dealers and leaders of public opinion in each community were enlisted in the "build now" and "own our home" movement. As a result, prices advanced so rapidly and radically that in a few months time the retailers began to criticize the manufacturers. A representative of the manufacturers reported the feeling of the retailers in June, 1919, in part as follows:

"Very wise dealers said to me. 'The mills got us to start these building campaigns, and they were a great mistake, because as soon as we got them well started the prices began to jump, and we had to raise our prices every week, and now our customers think we got the town lined up in a building campaign just so that we could raise the price. The townspeople don't know whether lumber has really gone up or not. They simply know that we lined them all up from school teachers and children to the preachers in their pulpits, and then jumped the prices on them.'"

As indicated by the documents sent to the committee on January 10th, it appears that the manufacturers of every important kind of lumber in the country are organized into associations for the purpose of compiling and distributing information as to each element entering into the supply and demand. This enables the members to take advantage of all favorable market conditions either by concerted action or by

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