
REPORT
of the
ATTORNEY GENERAL

Pursuant to section 708(e) of the
Defense Production Act of 1950,
as amended

BOOK AND MAGAZINE PAPER

May 8, 1959

PART ONE
BOOK AND MAGAZINE PAPER

I. INTRODUCTION

Transmission of ideas through print is of prime importance to the functioning of the modern world. Dissemination of cultural, scientific and technological developments requires a vast and constant flow of the printed word. A previous report 1/ considered the competitive results of defense expansion of the industry producing newsprint. Certain members of the Senate Banking and Currency Committee requested that we turn our attention to the related subject of book and magazine papers. Accordingly, this report considers competition in paper supply for publication of books and magazines, the more durable media for dissemination of knowledge.

At the outset, a problem in nomenclature is raised by the wide variances in trade classifications of papers as to kinds, grades, weights, and finishes. Moreover, those types of paper which are used for books and magazines are also used for other purposes, beyond the scope of this report. To encompass the various papers commonly used in book and magazine publishing, in relation to that use, this report employs the shorthand term "publisher papers". 2/

1/ Atty. Gen. Defense Production Act Report, May 9, 1958, hereinafter sometimes referred to as Newsprint Report.

2/ This excludes newsprint, despite some use for books and magazines. See infra, p. 8.

Paper costs are a substantial part of publication cost in both books and magazines, and only a relatively few paper makers supply the bulk of book and magazine publishers' needs. Expansion is pursued warily as the industry is constantly reminded of the disastrous results of the overexpansion of the nineteen twenties. Prices are in large part restricted by trade customs. Emphasis on issuance of price lists only at regular intervals, for example, tends to stabilize prices for long periods. Trade associations provide ample data to permit individual suppliers to gear capacity to demand, to ascertain the prevailing markups and to compare the relative efficiencies among competitors.

The resulting lack of competitive vigor and fear of overexpansion delayed to an extent the achievement of expansion goals under the Defense Production Act. However, capacity adequate for current needs has been built and no short-term shortages can be foreseen. Moreover, versatility of machinery now producing other papers permits a shift if shortages threaten.

With some exceptions, the industry cooperated in supplying a great part of the information desired. 3/ However, in certain fields the industry evinced a strong desire to preserve the confidentiality of cost and customer information against investigation and to protect executives from interview. In consequence it is impossible to establish with assurance whether the existing price structure and enlargement of capacity are primarily the result of competition rather than of collusive arrangements. However, little or no customer dissatisfaction has been expressed, and price rises seem not to have been disproportionately greater than prices of other commodities.

3/ As a preliminary to the preparation of this report a survey was made of a cross section of the manufacturers, merchants and consumers of publisher paper. The sample included twenty-five paper manufacturers, fifty paper merchants, thirty consumers (some printers and some publishers) and six associations. It included all the manufacturers of publisher papers whose identities were known to us, and was intended to be roughly representative of merchants and consumers, both as to size and geographical location. The survey answers set forth in this report, however, are not always based upon the full number of companies questioned, since some answers were not responsive or sufficiently complete.