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23 January 1947

From: Deputy Chief Military Government Officer, Saipan.  
To: Commander Marianas.  
Via: Island Commander, Saipan.

Subject: Trade Store Discount; disposition of.

Reference: (a) USCC Representative, Marianas (Schwartz) serial  
CMA - S - 82 dtd. 27 June 1946.  
(b) USCC Representative, Marianas (Schwartz) Memo. dtd.  
17 December 1946.

Enclosures: (A) A copy of reference (a).  
(B) A copy of reference (b).

1. In the past the U. S. Commercial Company has added a 25% mark-up for foodstuffs supplied the Native Trade Store as outlined in reference (a). Five per-cent of this mark-up was deposited in the Naval Working Fund for eventual use as relief after the discontinuance of the gratuitous issue of food and 5% went to the Trade Store. In the past this has proved to be a very successful operation.

2. This unit does not concur with paragraph 3 on page 3 of reference (b) which states in part, "At present too much concern is evidenced in attempting to hold the income of private entrepreneurs down to that of skilled craftsmen. The 50% sales tax on gross sales should be abolished, and should be superseded by a more equitable means of taxation for local revenue purposes." It is believed that in no way has the 5% profit tended to restrict or suppress private enterprise. The following information is submitted to support this statement:

(a) The \$10 par stock of the Chalan Kanoa Trade Store, a community-owned association, now has a book value of approximately \$27. In other words, even with a 5% mark-up, the Trade Store has earned better than 75% on its capitalization in each of its two years of operation. This profit will be even greater with the increased volume of business that has already commenced with the discontinuance of gratuitous food.

(b) The Susupe Trade Store, operated on a part-time basis by a private entrepreneur, has consistently earned its proprietor more than the earnings of the Village Chief, who receives \$45.00 per month. With the sale of food starting this month, it is expected that his earnings will average at least \$100.00 per month, or \$200.00 per month if the 5% payment to the Navy is eliminated.

(c) The Aslito Trade Store, owned and operated by the wife of one of the farmers, in its first month of operation earned approximately \$100.00 after the 5% payment to the Naval Working Fund. Her profits

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will also increase with the discontinuance of the gratuitous food. It is estimated that with the full 10% mark-up retained, her earnings will average \$250.00 per month.

3. It is emphasized that the present 10% profit mark-up is not applicable to Saipan due to low labor costs and a concentrated population. As an illustration, a meat market will open shortly at Chalan Kanoa, operated by a private entrepreneur. It is estimated that with a ration of one and one-half pounds per person per week, the owner will not a profit of one thousand dollars (\$1000.00) per month if he is permitted the usual 10% mark-up. It is impossible to provide immediate competition due to the lack of additional refrigeration equipment. No reasonable rental or taxation system could be devised to bring his income down to the normal thirty dollars (30.00) per month of a skilled laborer.

4. It is also suggested that a standard 10% mark-up for all types of businesses in all localities is not normal business practice. In the United States, for instance, a wholesale grocer operates on a 2-5% mark-up, a retail grocer on 15-25%, a restaurant on 33-50% and a jeweler on 75-150% mark-up. On Saipan too, it is not sound business to force a hardware dealer with his low volume of business to accept the same mark-up as a beverage dealer with his high volume of business. Likewise a certain percentage might be applicable on one island but be entirely inapplicable on another island which has a different wage scale. It also seems inconsistent that the local Military Government Unit can exercise control over the prices and profits of local processors such as barbers, fish dealers, jewelers, cobblers etc, but has no control over prices and profits of dealers in imported products.

5. Upon the verbal recommendation of an officer of the Military Government Section, Commander Marianas, this Unit plans to discontinue immediately the collection of the 5% payment to the Naval Working Fund. However, since the retailers of imported products are already receiving income far above that of other workers, it is strongly recommended that this Unit, working in cooperation with the USCC, be authorized to determine in each case the proper mark-up which will fit local conditions. This would in no way affect the present 15% mark-up of the USCC, but would place upon this Unit the responsibility of establishing the percentage over and above the 15%. This procedure would result in:

(a) Placing the responsibility for any possible economic ills more readily upon this Unit.

(b) Prevention of unrest among other private entrepreneurs whose profits are controlled.

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(c) Prevention of unrest among military workers whose wages are controlled.

(d) Lower retail prices (in most cases).

(c) Maintaining the present inflation-free economy.

5. In view of the fact that the discontinuance of the 5% payment to the Naval Working Fund will result in the loss of a substantial revenue to the Navy, approval from Commander Marianas is requested. The comments of Commander Marianas relative to the proposal as outlined in paragraph four (4) would also be appreciated.

L. G. FINDLEY

cc: U. S. Commercial Company