THE ECONOMIC SIGNIFICANCE OF HIGH PRICES.

BY T. B. STORK.

LIKE some elusive insect imprisoned in its amber, important truth may sometimes be caught up in hap-hazard popular saying. Flung out at random by some one, then adopted by all as expressing their own thought, it flies from lip to lip, gathering suffrage as it goes. Such is the now hackneyed saying that it is not the high cost of living but the cost of living high that is our present economic trouble.

It is the obvious that most easily escapes observation: we fear the black cloud on the horizon and stumble over the stone at our feet. So it is with the various economic phenomena that just now challenge our attention to such a degree that some thoughtless persons declare that the end of the world is at hand. At every surprising turn in the affairs of the world, there is always somebody to bring forward this suggestion with the air of uttering an entirely new and original contribution to the general stock. So far from solving our problems that oft predicted event might possibly be but the beginning of far more troublesome ones.

While it is certainly true that many of our high costs of living are the direct results of the war, an aftermath of bellicose follies, nevertheless many others are, to quote the popular saying, nothing more nor less than the cost of high living, a high living not to be depreciated or feared, but rather properly appreciated and understood as the mark of the industrial progress of the world, more particularly in prosperous and progressive countries like England and the United States, where it is most in evidence.

Imperceptibly but very surely there has been growing up in all civilized communities a great multitude of conveniences and luxuries that, small in themselves, have yet in the aggregate tremendous

economic effect. These superfluous appurtenances of living have encroached on the plain living of the olden time.

We all live, I will not say better, but more elaborately than ever before; we all expect and require in one way or another more things than ever before; that means more service from labor. The industrial world produces more for these requirements and is continually spurred on to produce more and more every year, while at the same time, by various inventions and devices, labor is made more efficient, more capable of answering these increased demands. I need not go back to ancient Greece, or still more ancient Egypt, to illustrate my thesis or contrast the highly differentiated costume of the average man of today, with his shoes and stockings, his collars and cuffs, his shirts and suspenders and garters, his collar buttons and shoe laces, handkerchiefs, neckties, scarf pins, coats, vests, trousers, watches, pocket knives, pencils, tooth picks, chewing gum, cigarette or cigar cases, match boxes, canes, umbrellas, overshoes, etc., with the simplicity of dress and belongings of even the kings of those ancient countries.

We, who are middle-aged, can get a sufficient contrast by recalling our own youthful days, when there was no chewing gum, no photo plays, no trolley cars, no telephone, no talking machines, no motor boats or cars, no electric torches, and the like.

Does the mention of these little superfluities seem puerile: beneath the dignity of grave discussion? Is it a small economic fact that fourteen million persons attend the "movies" every day in the United States? At even five cents apiece this would mean an expenditure of $700,000.00 per diem, or, say for three hundred days of the year, 210 million dollars. Some half million of laborers, artists, etc., are employed, and 1,000 millions of wealth are invested in this apparently trifling appurtenance of everybody's living.

Or is it of no economic consequence that 50 million dollars is paid every year for such a trifle as chewing gum? This may seem small compared with the tobacco and cigarette bill of nearly three billions, or that of automobiles of two billions, but they all go to make the "demnition" total of some 8710 millions of money expended every year in the United States for what may be called the superfluities of living, the cost, in other words, of high living; that is, of living outside and beyond the mere necessities of food and shelter.[1]

[1] The authority for these figures is the report of the Women's Activity Division of the Department of Justice, lately made public.

If we reflect for a moment on what a demand on labor and on produced wealth these figures import, we may perhaps become aware of one or two important economic truths: one, the impossibility of meeting the demand for these luxuries of living in the early days of primitive production when it was all that men could do by their labor, constant and unremitting, to keep themselves in life; in those days when eight-hour work was an absurdity, the real question was, not how many hours of labor were allowable, but whether any length of labor time would get food and shelter sufficient to keep the laborer in life. It was only when these difficulties had been surmounted by dint of the accumulation of what is called capital, and by the increased facility of production that accompanied it, that there was a surplus of labor left over from necessary production for the luxury production we have been discussing, the making of chewing gum, talking machines, cigarettes, etc., etc.

The other truth is that this great production of the appurtenances and luxuries that make high living acts as an automatic increase of wages to all. For these articles of luxury are made for sale, for exchange; they must be exchanged and used at once or not at all. They cannot be saved or stored for any time without losing their value. They must be used by everybody or their owner and producer would lose his profit. That means that everybody must perforce get the use and enjoyment of them. Chewing gum, the movies, even automobiles, would be of little profit if used only by a few millionaires: it is the use by the crowd, by everybody, that makes them economically possible. The production and use of these raise all wages automatically and of necessity: for they are the real wages of labor of which money is but the symbol.

Or to put it a little differently, high living costs and high wages in money are in part due to the ever increasing wealth of the industrial community. For modern wealth, unlike primitive wealth, depends for its existence on the use and enjoyment of that wealth by everybody. An increase of wealth in any community of necessity and automatically has the effect of ultimately increasing wages, because the great demand and consumption of wealth of every kind must always come from the masses of the people, the consumption of wealth by a Rockefeller, a Morgan or a Rothschild is negligible. It would never maintain the wealth of the world which can only exist by a perpetual flux of consumption on the one hand and reproduction on the other. It is the laborer, the wage earner, whose consumption of goods is the important factor in industrial society; it is

his use and enjoyment of increased wealth that alone can make that quantitative demand for goods which is necessary to sustain and continue the production of wealth. Hence, in part, the resulting higher and ever higher wages for labor and prices of goods.

How then does it happen that with this great increase in the number of useful, exchangeable things produced with less labor cost by reason of the use of machinery, improved methods and the like, the price in money should be constantly going higher? A bushel of wheat, for example, was never produced more cheaply than on our Western prairies, with their power plows, tractors, and threshers, and probably never sold higher in money since the time when Joseph put the money in his brethren's sacks in Egypt. And the penny a day of the Scriptural story makes a sorry contrast with the generous wages of the day laborer of the present century.

Perhaps we may be able to understand this better if we eliminate money and consider the actual fundamental transactions that take place in industrial society. Putting it in the simplest form, all industry of the modern sort may be said to consist in the making of goods by one man to exchange with the goods of another man. Now the value of the goods to the maker under these circumstances will depend on two elements: first, and most important will be the ratio of exchange, that is the amount of goods which one man will give for the other man's goods. This is expressed in its price in money and we say goods are cheap or dear according to their money prices, but of course in the last analysis the essential to the owner of the goods sold is how much can he get of the other man's goods for his own. And this will depend, not only on the price of his goods, but also on the price of the other goods which he expects to get for his own. It is plain that to double the price in money of both goods will not alter the amount for which they exchange with each other, the ratio of exchange will be the same It is only when the price of one is raised in money without any corresponding raise of price in the other that the ratio of exchange, which is the vital point, will be affected.

But there is another element which enters into the value of all goods that depend for their value to their owner on exchange. This is the ease or difficulty of making the exchange. For it is evident that to make an exchange two things must be present: first, goods that are acceptable to the other or second party to the exchange, and secondly, goods in that other or second party's hands which are acceptable to the first party. There must be a mutual willingness to

exchange in other words growing out of this. The maker of goods can make no exchange except for such goods as present themselves; if there are no goods or goods undesirable to him, no exchange can take place. Every increase in the number and variety of goods offered will mean an increase in the possibility of exchange since that will increase the probability that each party to the exchange will be able to find desirable goods.

The use of money to effect these exchanges does not alter the fundamental principles that govern the transaction. It furnishes a convenient measure of the ratio of exchange of goods; that is, their price; and it also furnishes a medium of exchange; that is, it represents a something into which, if the owner of exchangeable goods can transform them, he will be assured that he may get any other kind of goods he himself may desire irrespective of any necessity to find some one person who wishes his particular description of goods. All owners of goods, that is to say, find money a desirable something into which to exchange their goods. Thus money facilitates exchanges between various goods by virtue of that confidence which each owner of goods has that with money he will be able to get any goods he desires. It represents the sum of all the possibilities of exchange possessed by all the goods in the industrial community. It solves for its possessor one and that the main difficulty of exchange; it finds for the maker of the goods a taker and a taker who puts at his disposal all other goods he may desire. It has a compulsory market and can always command a sale of itself for goods.

Of course the exchangeable power of money will depend for its value on the number of exchangeable goods made by the industrial community. Money does not make goods, but goods may be said to make money. Indeed it may truly be said that as the number of exchangeable goods increases, with that increase there will come an ever increasing ease of exchange for goods so that the value of money's exchangeability will constantly decrease as the exchangeability of goods increases. For one of the elements of money's value is this power of exchange and that will always be most important where there are few exchangeable goods; that is, where the difficulty of exchanging goods (or selling them) is greatest owing to their paucity. For every article offering itself in sale or exchange is at once a buyer and a seller; it buys the article given in exchange for itself, but it also sells itself for that article, and its ability to sell itself depends on the number of articles that offer for it, the greater that number the more saleable it will be.

Money grows, therefore, less important as the possibility of exchange increases and grows easier by reason of the presence of many exchangeable goods, for money represents and stands for instant exchangeability and its value depends on this power to effect exchange; where it is difficult to effect exchange owing to the paucity of goods, money has great value and the price of goods in money will be low owing to the difficulty of making exchange and the desire to do so. But readily exchangeable goods are equivalent to money for they possess that power of exchange which is money's distinguishing characteristic.

Thus there comes about that curious economic anomaly that where goods are most numerous and plentiful, say in London or New York, they are worth more in money than in places where they are scarce, contrary to the general rule that the more abundant an article is the cheaper in money it becomes. It all turns on this power of exchange which money possesses and which grows less important with the increase of exchangeable goods, thus diminishing the value of money in goods and increasing the value of goods in money as goods approach that degree of exchangeability which money possesses.

Readily exchangeable desirable goods are as good and sometimes better than money. In that economic chaos of Russia we are told that a famous surgeon accepted 40 pounds of rye flour for a surgical operation and signified his preference for linen, groceries, or wood, rather than money, for his professional fees. Ten pounds of potatoes he took instead of 100 rubles for a visit.

It was under this mistaken idea of the part played by money in business transactions that some historians have attributed the commercial quickening of Europe in the 15th and 16th centuries to the gold and silver brought chiefly by Spanish adventurers from the new world of America. Surely it is much more reasonable to suppose that the new articles of human enjoyment, the new exchangeable goods, tobacco, potatoes, maize, sugar, coffee, tea and the like brought into use and knowledge from that world stimulated new wants and desires, supplied new articles of exchange and so spurred the commercial and industrial activities of the whole population. A large amount of spending money with nothing new to spend it on would have little permanent effect on people generally compared with the presentation of all these new objects of use and enjoyment.

The single item of sugar may give some notion of what these new objects of enjoyment meant to trade. In the tenth and eleventh

centuries, used by Persian physicians as medicine; in the year 1920 it is estimated by Mr. T. R. V. Kellar of the trade paper "Sugar," that the consumption of it will reach a total of 16½ million tons. Even at 7 cents per pound, this calls for an immense sum of money for exchange, say roughly, about 2,310 million dollars.

What took place thus suddenly with the discovery of America and its new articles of commerce has been going on less spectacularly for centuries. New articles of human enjoyment multiply each year; new inventions, new devices of luxury, new comforts of life, are continually appearing. The increase in the money price of things and of labor, the depreciation in the value of money, if you choose to call it so, simply witness the greater ease of exchange which has come with the greater number of exchangeable goods, thus decreasing the importance of money in so far as it commands exchange. This has been a continuous and reasonably uniform process from the earliest times. At first it may seem a process of inflation, an unwarranted swelling of the money value of everything until we gain a right understanding of its cause, until we perceive that money is only the means of convenient transfer and in the transfer of measurements of relative value, that is exchangeable value of goods with regard to each other. Money apart from things loses all significance; its depreciation of the appreciation of things in it is merely a symptom of the gradually improving conditions for all. High living and its cost are signs of a healthy, vigorous industrial life, found only in prosperous, progressive societies so that a scale might be made of the relative prosperity of a given nation based on the price of goods and labor within its borders, the higher the one the greater the industrial welfare of the other.

It is undoubtedly this increase of goods that has thus put up the price of both goods and labor in money. The exact process may not be easy to trace; it is plain that an increase in exchangeable goods would make a demand for ever more and more money to effect their exchange, and the presence of these goods would make a strong bid for goods and for labor; for all goods are buyers as well as sellers, the more goods there are the greater competition will arise for both other goods and labor. Every species of goods is an effectual buyer of other goods and of labor; it cries out for its brother goods or for labor to come and be exchanged for it.

Another less constant but important cause of the gradual tendency of prices to rise will be found in the occasional disturbance of normal industry from pestilence, war, famine and the like. These

increase the price of labor, or of certain kinds of goods, and when former conditions return and the ratio of exchange is restored, it often turns out that this was accomplished, not by a resumption of the original prices, but by an increase in the price of other goods, thus restoring the former ratio but not the former prices. Of which the explanation may be simply a bit of business psychology that it is easier to restore the normal ratio by one man raising the price of his own goods rather than by demanding a lowering of the price of the other man's goods. Probably this method tended to conceal the real nature of the transactions and beguiled each into the belief that he was getting really more for his property than if the price had been reduced by way of restoring the ratio of exchange.

So of labor, not only has its money price gone up, but its real wages which are not money at all, have also been greatly increased. That all exchangeable goods are buyers of labor may have seemed an odd statement but it is only another version of the platitude that all wages consist in the last analysis of the various kinds of goods which the laborer consumes. Contrast then the inumerable things which the meanest day laborer now has for his consumption compared with, let us say, the penny-a-day man of the Scriptures. The actual amount of wages in money counts not at all in this computation. Picture theaters, trolley cars, telephones, telegraphs, tea, coffee, sugar, tobacco, rice., etc., etc., are his every day. It is not to be wondered at that the price of labor in money should have gone up accordingly, yet the ratio of exchange, the actual exertion required of the present laborer is no greater, if as great, as that of his Scriptural elder brother. The labor cost of all goods having been reduced by inventions and economies of various sorts, the same amount of labor earns as its equivalent in exchange many more goods than formerly and it is not surprising that the real ratio of exchange between goods and labor having been thus changed, that the expression of it in money prices should also be changed and its value measured in money rise.

Nor does this increase of the money cost of things work any permanent hardship; for the real cost of things is the labor cost and the laborer, while paying more in money, gets all these new goods with no greater expenditure of exertion than before. It is a mere bookkeeping device, we might say, except for those who deal in money not as a medium of exchange, but as a commodity itself. In the artificial society of today there are necessarily such dealings by way of lending, by way of investment, in which the dealer has no

claim or property in goods, but only in money, and as money's only ultimate value consists in its command of goods, any change in this command will affect the dealer in money very seriously and may work temporary hardship and injustice to individuals, but is of no significance to the society as a whole.

The high prices which occur normally and distinct from the flurries of panic or war are simply marks of high living standards, of increasing prosperity, of an increasing abundance and variety of exchangeable goods, and need inspire neither present apprehension nor dismal forebodings of the economic future.

SOUL.

BY CHARLES SLOAN REID.

Does man alone possess that subtle thing
  Thro' which he yearns for immortality?
The formless essence that is prayed to bring
  Man's right to live throughout eternity?
Its attributes are marked in love and joy,
  In friendliness, in offspring's gentle care,
In grief's distress, fidelity's employ,
  In all that filial duty doth declare.
Is so-called instinct in the speechless brute
  Less true in kind than man's intelligence?
Why one elect? the other thus refute?
  Since all is but life's stored experience?
Distress and woe and love and joy depend,
  In brute creation, on that 'prisoned wraith
In man called "soul," how then shall man defend
  His single right to life-eternal's faith?
In what climactic age, as man evolved,
  Did instinct cease, and soul become divine,
Immortal essence, from death's claim absolved,
  As bursts the moth from fibrous fold's confine?
Nay; rather own thy kinship with the brute,
  Thro' common claim for immortality
Than to that spark of life called "soul" impute
  In form a want of continuity!