CONSIDERATIONS AS TO PRICE FIXING

Effects Upon Production — Distribution of Wealth — Prices for Coal

The problem of price-fixing upon purchases for our own and foreign governments and for the general market has continued to be one of acute interest. Prices upon steel and copper for the United States government's use have been referred to the Federal Trade Commission. An agreement to hold the price of bituminous coal at $3 per ton was made by the association of operators in conference with United States Secretary Lane and a member of the Federal Trade Commission, but other government officials have disapproved of this figure as too high. The agreement is being generally observed so far as prices to the public are concerned.

The Canadian government has fixed a maximum price for wheat on the basis of $2.40 for No. 1 Northern at Fort William. Discussing price regulation, supply and demand, the distribution of wealth and allied matters, the National City Bank of New York, in its interesting letter for August, recently received by *The Monetary Times*, says,—

It is easy to agree to the abstract proposition that war should not be made the occasion for money-making, and that the public interests are paramount to the right of individuals to unusual profits. The situation, however, is so chaotic and extraordinary that it is not only difficult to say off hand what prices are fair to producers, but what prices will best serve the public interest. An illustration is afforded by the following extract from a statement by Mr. Daniel Willard, chairman of the committee on transportation of the council of defense:—

"Twenty-nine per cent. more bituminous coal was handled in April, 1917, than in the same month of 1916," Mr. Willard said. "The exact figures for 85 of the principal coal-carrying roads show that in 1917 there were 659,000 cars handled, as compared with 508,000 in 1916, for an equal number of days.

"There are literally hundreds of new mines. On one road there have been more than one hundred new mines opened during the last six months."

High Prices for Coal.

Mr. Willard was discussing the coal situation solely with relation to the increasing traffic, but his statements show the extraordinary efforts that are being made to increase production, and that after all is the matter of largest consequence. The industries of the country are consuming enormous quantities of coal, and our allies, France and Italy, are in desperate need of coal. Dr. Nansen says that coal is costing over $60 per ton in Norway, and the branch of the National City Bank at Genoa reports it selling above $100 per ton in Italy, "with few transactions." The price of coal, within fifty cents or a dollar a ton, is a secondary consideration with consumers, compared with having their wants supplied, and they can only be supplied by enlarging the output. It would be no simple task to regulate profits on present production, with costs varying as widely as they do in coal mining, but there is the further question of securing an increased production.

Price of Spelter.

A somewhat similar situation has existed in spelter, or zinc. When the war began the market price of spelter was about 5 cents per pound. Under the pressure of the new demands the price rose until at the crest of the movement the price was about 27 cents per pound. The influence of rising prices, however, caused great activity in the zinc-producing districts. Prospecting was stimulated, new mines were opened, smelters were enlarged and new ones built, production was increased until the price began to fall. Spelter is now selling at about 10 cents per pound, which, considering the general rise of costs and of other prices, is scarcely higher relatively than 5 cents was before the war. That problem has worked itself out. The new production was both induced and financed by the high prices, and could not have been obtained without them, as there is quite certain to be an excess of producing capacity after the war.

The United States Senate in providing for the regulation of food supplies, while giving large powers to the President and his advisers to fix prices, has proposed to safeguard the production of wheat by establishing a minimum price of $2 per bushel. This is a high price as compared with normal prices, and there is no maximum price; the farmers can have more if the market goes higher, but reliance is placed upon the stimulus afforded by the guaranteed price to produce an ample supply. For the farmer who is already equipped for wheat-growing, and who continues to sow only his usual acreage, there is doubtless a large profit at $2 per bushel. But the price is fixed to induce thousands of new producers to undertake the expense, at high cost, of putting new acreage into wheat, and that will undoubtedly be the result. This is a reversal of the policy of restriction and discipline. The intention is still to get the best results for the public, but the emphasis is put in another place.

Lasting Effects Upon Production.

There is a silver lining to this cloud of high prices which ought not to be overlooked. Under the enormous stimulus which is being given to production in so many important lines it is certain that when the war comes to an end the productive capacity of the country will be far beyond what it has been in the past, and there is good reason to believe that permanent benefits will be realized and widely distributed. It is true that producers instinctively fear a period of overproduction and of unprofitable prices following such an expansion as is now occurring, but while prices will fall enough to greatly relieve domestic consumers the foreign outlet will probably be sufficient to take our surplus at fair prices, provided we are organized to promote and finance a development of our foreign trade.

Agriculture is being stimulated and permanently benefited by this period of high prices. The country is being awakened as never before to a realization of the fact that all other industries are dependent upon agriculture, and that the welfare and progress of the people require more comprehensive and intelligent attention to the production and distribution of foodstuffs.

Meanwhile those who are inclined to pessimism as regards the lot of the wage-earning class should remember that every great period of industrial expansion in the past has resulted, when conditions settled down, in the workingman occupying a higher position than he held before. Wages do not go up like potatoes, but they hold their gains better than potatoes do.

Real Distribution of Wealth.

These complicated questions of price regulation, taxation, etc., all hark back to the big, main question in which society is interested, to wit: the final distribution of the fruits of industry with relation to the average man's share. We have often endeavored to point out that at the very beginning of any discussion of this subject, it is important to determine what is real distribution. In current discussion there is but slight recognition of the value to the community of capital accumulations, taking form as they must in improved and enlarged facilities for general production and public service. This community value of private wealth is understood by economists, and it is understood by everybody in concrete cases; every new community appreciates the gain from having a railway built into it, or a water power developed, but in general discussion it is usually assumed that all the benefits of wealth accumulations, even in these forms, go to the owners. There is little analysis of actual distribution. The emphasis is placed on the ownership of equipment, rather than upon the distribution of the goods produced. Mere ownership of productive property, however, only gives the right to go ahead and produce something. All the benefits from productive properties come out in the stream of products that issue from them, and the real distribution of the national income takes place at the point of consumption, where these products are finally absorbed by individuals and disappear from the common store.

Laborer or Millionaire.

Whether a man is a day laborer or a millionaire, he actually gets as his share of current production what he consumes or withdraws from the common supply to his own exclusive use and benefit and no more. If he occupies a seat in a railway car, he has taken that much; if he keeps a servant, he has taken that much; if he owns a motor car, he has taken that much; if he keeps a costly estate, he has taken that much—but he gets nothing which remains in the use or service of others.

If he allows the profits of his business to remain in the business for its expansion, they have not been realized and may never be. Every town in the country can tell of business houses that have prospered, grown by means of their profits, and then gone into decay and finally into bankruptcy. The proprietors realized only such profits as they withdrew from the business and devoted to themselves. If they withdrew profits from one business for investment in another, there was no distribution to themselves, merely a shift to another public employment.