Economics for Workers

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PRICE (Continued)

WE have had platform, press, etc., haranguing over the increased prices of commodities during the war, as if it was something new.

The position was such in Canada previous to 1914 that a "High Cost of Living Commission" sat in 1915, to find out the cause of high prices previous to the war period.

I am going to deal with the prices of the last century up to 1914 and endeavour to elucidate to you all down these years the various factors having their effect on prices, viewed from the Marxian standpoint. I have painted numerous charts for my classes that are easily understood but, unable to reproduce them in the Clarion I will deal in as simple a manner as possible with figures. If we follow the production of gold with the rise and fall of prices there is a striking similarity. We have of course some variations in the ups and downs of prices due to other factors. From 1800 to 1810 prices rose in Britain 85% due to the Napoleonic wars. Prices took a sudden fall due to the depression of trade following the termination of the war; owing to the war market being cut off something similar to what we have experienced after the Great War took place. From 1810 to 1850 prices fell 60%. In that time we had variations due to the following factors.

High prices in 1818 due to bad harvest; a great fall of prices in 1823 due to tariff reductions. An increase during the trade boom of 1825. A fall in prices duirng trade depressions and financial crises, with a very bad trade depression and low prices in 1850.

We find high prices during the Civil War in America as a result of the inflated currency in the sixties.

If we study the various countries we find a close relationship in the rise and fall of prices.

If we take from 1890 to 1900 as the zero mark and call it 100 we find the following:

Years.	Germany.	Britain.	U. S. A.
1840-50	.....	136	128
1850-60	130	145	131
1860-70	130	151	140
1870-80	132	144	137
1880-90	108	113	115
1890-1900	100	100	100
1900-1910	115	110	117

The above shows us how prices increased after 1850 caused by a great industrial development which was instigated by an increased production of gold, through the discovery of the California Gold Fields.

This increased gold production which makes a demand on commodities sends prices up, and you have a thorough going trade prosperity with an increased employment of the workers. On the other hand an increase in prices resulting from a limited supply, through a bad harvest for example produces greater misery.

We notice that prices fell from the seventies to 1896. The factor which caused this fall was not only the stagnation of gold production but also the improvements in the machinery of production causing prices to fall to the new value. Through the improvements in the means of transportation with the building of railways and ocean liners, the opening up of large tracts of land in Russia, and America supplying the world's market with abundant food supply and raw material, prices fell to their lowest mark of the last century in 1896. The same facilities of communication and transportation brought into close proximity those lands which, under the spur of gold production since 1850 had greatly extended capitalistic industry with enormous forces of production in England, Germany and the Eastern portion of the United States. After the crisis of 1873 the wildest industrial competition broke out among them, which at times reduced prices below cost, which ended in tariff wars to limit the home market to foreign competition; Germany 1879, , France 1891; and America reached its extreme tariff (McKinley Tariff) 1890.

A protective tariff only temporarily raises prices and cannot throw off the effect of a world's falling market. Through the great increased production in the seventies with a stagnation in gold production when the new need of it arose, production far outran that of any previous period.
Prices fell rapidly, especially in foodstuffs and raw material, because those commodities poured in to the world's market from the new cultivated lands of Russia and America. Beef fell fast owing to the introduction of the frozen meat of New Zealand; likewise sugar, owing to the growth of the beet sugar industry and bounties to sell cheaper abroad.

The difficulty of increasing the supply of animal products kept such commodities from falling as fast during the falling prices previous to 1880, and animal products rose faster during rising prices.

Animal products, with the exception of wool, had fallen very little throughout the eighties, and not until the eighties were well advanced did they fall, as a result of the transportation facilities and the introduction of frozen meat. Tea also fell because of the better machinery and improvement of cultivation in India which placed a better and cheaper tea on the market than that of China.

Foodstuffs rose per unit in Minnesota from 1873 to 1896 owing to demand. Although the farmer received more for his grain, it could be put on board ship at a less freight rate owing to the railway-building after the Civil War. This was severely felt in Europe, resulting from the railway and ship building mania which had helped the boom of 1869 to 1873 and which became the leading factor in still further reducing commodity prices.

Prices therefor fell until 1896. With the discovery of the Rand gold fields and the introduction of the Cyanide process, we have another increased gold production accompanied with increased prices, which caused such great discussion previous to the war that the Canadian Government appointed a High Cost of Living Commission which brought in its report in 1915. In its report it showed how universally prices were affected, thus:—

11 articles at 100 in 1900 rose to 134 in Canada and Wurtemburg.

13 articles rose from 100 to 138 in Canada and Vienna.

20 articles rose from 100 to 140 in Canada and Hungary.

11 articles rose from 100 to 154 in Canada—152 U.S.A.

The world price was 131 to Canada's 140.

We find that U. S. A. and Canadian prices rose higher than the most of other countries, especially in food stuffs. The cause is to be found in the following factors:—

The supply of meat declined relatively per capita of the population; an increased immigration, with an increased urban population from 14% to 45.5% between 1871 and 1911. Loans to build railways, with a 2½ times increase in the currency. The new facilities of communication and transportation, with Canadian trade entering the world's market which regulates prices.

In Britain these facilities of transportation had the opposite effect as she was a country depending on her foodsupply from overseas, and prices did not rise so fast during the same period.

The production of gold was enormous, reaching 700 tons yearly in 1910.

On long periods we find, then, prices
Rose 85% from 1800 to 1808.
Fell 60% from 1808 to 1850.
Rose 34% from 1850 to 1873.
Fell 40% from 1873 to 1896.
Rose 47% from 1896 to 1914.

The value of silver which was 15 to 1 in 1870 was 38 to 1 of gold 1911. Prices in 1896 fell in gold standard countries and rose in silver standard countries. This gave rise to the Bimetallism movement of 1896.

A. J. Balfour at Manchester October 27th, 1892 speaking on the subject said he would prefer such a system of currency if it could be shown to give absolute permanency, and added, "But of all the conseivable systems of currency, that system is assuredly the worst which gives you a standard steadily, continuously, indefinitely appreciating, and which by that very fact, throws a burden upon every man of enterprise, upon every man who desires to promote the agricultural or industrial resources of the country and benefiits no human being whatever but the owner of fixed debts in gold."

This movement (bimetallism) was a reflex of the economic conditions of its time. Gold had so appreciated in value that it took twice as much in farm products to buy an ounce of gold in 1892 as it did in 1873; on the other hand silver and farm products' exchange equivalents had not greatly altered. This meant that the debts being paid in gold in the nineties which were borrowed in the seventies could purchase twice the quantity of commodities, while if they had been paid in silver the purchasing power would have varied little.

With the increased gold production and the rise of prices after 1896 to 1914 the Bimetallism movement died because the repayment of loans had been beneficially transferred to the debtor side owing to increased prices. The following table taken from the United States Labor statistics of April 4th, 1913, No. 114, shows the following prices:

	Farm products.	Clothing.	Metal.	Bldg. lumber.	All commodities
1890	110	113	119	111	112
1896	78	91	93	93	90
1912	171	120	126	148	133

If we analize the above from the Marxian standpoint the different variations in price become clear. We find farm products had fallen the lowest because of the great increased supply of Russian and American wheat, frozen meat, beet sugar, etc., with the increased facilities of transportation, causing a greater fall in value in 1896. Clothing fell in price as a result of cheaper raw material and improved machinery.

The same causes affected Metal and Lumber. The great increased production of gold with accompanying higher prices after 1896 sent farm products up highest, followed by lumber, metal and clothing in 1912.

Farm products not being adaptable to increased production by machinery to the same extent (e.g., you may have milking machines but you cannot grow cows with machines, or grow grain with machinery) therefor the depreciation of gold could not be offset to the same extent as in manufacturing clothing which rose the least.

Next to farm products came lumber. Again you cannot introduce machinery to the same extent (e.g., to grow lumber) and the bush is still going further back giving a greater distance of transportation. Metals, belonging to natural resources, are also limited to machinery of transformation and transportation; so that we see commodity prices are dominated by value, which we have already had under consideration.

Next Article: Prices continued; from 1914 up through the war.