

High Cost of Living Problem

*An Estimation of Its Contributing Factors
By the Aid of the Science of Economics*

EXCHANGE value being defined as the ratio or proportion in which any given commodity exchanges for any other commodity, it may be said that "price" is a special case of exchange value, in which one of the terms of the equation is always that special commodity which functions as money. That is to say, that the price of any commodity is its exchange value expressed in money.

Variations in prices proceed from a variety of causes, which, however, fall into two classes; those depending upon changes in the exchange value of either commodity, and those which are merely incidental, being contingent upon the conditions of the market.

Assuming, then, that the exchange values of commodities are determined by the socially necessary labor time required in their production, it is clear that in the first class there are two possible causes. First, a change in the exchange value of the commodity for exchange, say, flour, and secondly, a change in the value of the money commodity, say gold. Now, in the first case, that of a change in the value of the flour, it will be seen that any such change will have a direct effect on the price which will tend to rise with any increase and to fall with any decrease in the cost of production of the flour. The second case, that of a change in the value of the money commodity is just as simple, though possibly not so obvious, owing to the fact that the effect on price is in an opposite direction. Prices will tend to fall with any increase and to rise with any decrease in the social cost of production of gold. For instance, in the event of a fall in value of gold to the extent of one-half, we should have to give one-half ounce of gold for an amount of flour we formerly obtained for one-quarter of an ounce.

Very well then, it is within the knowledge of most people that there was a steady rise in prices for a matter of twenty years prior to the war, to be correct, since the year 1897. Inasmuch as it is practically certain that there has been a fall in the social cost of production of manufactured articles and even of agricultural produce during that period, it is clear that the rise in prices could not be due to the first of the causes mentioned, and it has been assumed that there has been a fall in the value of gold during that time, which would naturally reflect itself in increased prices. That this conclusion was justified is borne out by the fact that the period in question was marked by the discovery of new and fertile gold fields in South Africa, Alaska, the Klondyke and elsewhere, and the invention of new processes for the recovery and extraction of gold, such as the cyanide and chlorination processes, dredging and whatnot, resulting in an enormous production of gold at a, no doubt, greatly reduced cost of production. This factor is possibly still operative, but appears to me utterly inadequate to account for the phenomenal rise in prices that has taken place since the beginning of the war. We must, then, fall back on what I have called the contingent causes. These are:

First.—The relation of supply to demand and vice-versa.

Second.—The effects of monopoly.

Third.—The depreciation of the currency.

These we shall proceed to consider in turn.

The Relation of Supply and Demand and Vice Versa

Everyone knows that in the case of any commodity where the supply on the market is in excess of the effective demand that its price tends to fall and, on the contrary, when the demand is in excess of the supply, that the price tends to rise. These tendencies, however, in an open market where the commodities can be freely produced, are offset by the fact that, in the first case, the low price tends to increase the demand and to discourage the excessive supply. In the second case,

on the other hand, the high price tends to decrease the demand and to stimulate production. Normally, then, market prices tend to fluctuate, now over, now under, a point indicated by the value, or, more properly, the price of production of the commodity in question. All this has been upset by the conditions resulting from the great war. During the last five years there has been an enormous and continuous demand for almost all classes of goods co-existing with a diminishing supply due to the withdrawal of the producers for military purposes. In consequence there has been a very considerable increase in prices, particularly of foodstuffs and other necessities, followed by a marked though by no means adequate advance in wages. These factors, reacting all along the line, together with the advance in transportation rates, and in the interest on money due to the demand for money capital, not to speak of special war taxes on certain goods, have caused a considerable advance in the price of production of all manufactured articles, necessarily reflected in prices.

The Effects of Monopoly

Monopoly prices generally result from a conscious interference with the operation of the law of supply and demand, with a view to enhanced prices. This, however, can only be done when the producer, individual or corporation, has more or less complete control of the production of the commodity in question. The monopoly may be the result of one or more of a number of considerations, among which may be mentioned:—

More or less complete control of the actually existing supply of any commodity; of the producing plants; of the mines or sources of raw material; of patents covering machinery or processes of manufacture, or, as is the case of public utilities, by the possession of exclusive franchises.

The monopolist, in spite of a very general belief to the contrary, does not have an absolutely free hand, and can not, or rather, does not arbitrarily fix the price of his commodity. As we have already seen, an increase in prices tends to diminish the de-

mand for any particular commodity and to encourage competition and substitution. There is, therefore, a limit, fixed by the market itself, above which prices can not rise from this cause. That limit, of course, is much sooner reached in the case of articles of luxury, than in the case of absolute necessities. As a general rule it may be laid down that monopoly prices will be found at such a point that the price multiplied by the sales will give the maximum returns. This law may be better understood by reference to the well-known practice of transportation companies of "charging all the traffic will bear." It will be readily perceived that war-time conditions have provided a fertile field for the exploitation of all sorts of complete or partial monopolies.

The Depreciation of Currency

Remains now the question of the depreciation of the currency as a cause of high prices. By currency is to be understood all bank notes, bills and tokens, which function as a circulating medium in lieu of gold—money. Representative money of this kind, issued by a competent authority, will circulate at par so long as it is "convertible," that is, if it can be cashed in real money on demand. An inconvertible paper currency, however, particularly if over-issued, (inflation of the currency) is subject to depreciation relatively to gold. Any such depreciation would immediately result in an advance of prices corresponding to its extent. The result would be the same, so far as immediate effects were concerned, as a fall in the value of gold. In the absence of direct proof it is difficult to say what share, if any, this particular cause has had in bringing about the present condition of the market. It may be inferred, however, from the fact that gold is at present at a premium, and considering the enormous issues of paper money by almost every civilized country, that this factor has been operative to some considerable extent. More on this latter subject another time.

GEORDIE.

WHAT IS SCIENTIFIC SOCIALISM?

The Manifesto of the Socialist Party of Canada:
Price—\$6.00 per 100 Single Copies 10c
Propaganda meetings every Sunday night, at
8 p.m., Empress Theatre, corner of Gore avenue
and Hastings street.

Where British Soldiers Are Still Fighting

CHALLENGED the other day in the House of Commons with keeping too many men in the army, and especially with retaining men entitled to release, Mr. Churchill declared: "Every day the evidence accumulates that we are keeping too few." To color the world map to show where British troops are being employed, or troops fed, clothed, and armed by the money of the British tax-payer, at the moment when preparations are being made to celebrate peace, would show an amazing picture.

Let us begin near home.

Ireland, India, Egypt.—There are a very large number of soldiers in Ireland, equipped with tanks, machine-guns, gas, and all the implements of up-to-date war. The same is true of India and of Egypt. As Mr. Churchill said: "The situation in India, in Egypt, and in Ireland all make drains upon us."

Central Europe.—There is a large army of occupation on the Rhine, and apparently a large army is to be kept there while the indemnity is collected and to "guarantee" the peace.

Whether British troops are co-operating with General Haller in Poland is not clear, but British money and munitions are assuredly at the disposal of the general.

The Salonika army has been renamed "the Army of the Black Sea," and its contingents, with Roumanians, armed and equipped out of Allied (i.e., largely British) money, are holding down revolution in Bulgaria, probably in Rou-

mania, certainly in Hungary. Part of this army was in the Crimea—i.e., Odessa and Sevastopol, recently evacuated.

Russia.—In North Russia, British troops are fighting at Archangel and Murmansk, and reinforcements go out frequently. General Miller (Russian (!) Governor-General of the North Russian region,) in an interview with a Times correspondent on April 29, declared "The Russian authorities are well satisfied with the aims of the Allies in North Russia. . . . There can be no compromise with Bolshevism. It must be eradicated from Russia."

The army of Admiral Kolchak, operating on the Volga, Russia, is equipped with British arms and munitions (including tanks,) and a great part of his soldiers are clothed in British uniforms.

In S. E. Russia, Denikin's army was badly beaten by the Bolsheviks during March, but the Times correspondent says (April 15, Ekaterinodar) "Great encouragement has been given to the volunteer army by the continued arrival of British war material, which is pouring into Novorossisk—tanks, guns, ammunition, rifles, clothing, food, and hospital equipment."

The East.—To give any full survey of our activities in the East is impossible. There are British troops in Palestine, in the Caucasus, in Syria, at Baku. In Mesopotamia, so Mr. Churchill stated on May 1, 29,000 white troops of the Expeditionary Force are being retained through the hot weather of this year.