

Credit Involves Higher Prices.

It must not be forgotten that credit prices are inevitably higher than cash prices. When the seller of an article agrees to wait for payment he puts himself to a certain amount of inconvenience and loss. The present possession of a given amount of commodities is always worth more than the right to receive an equal amount in the future. Besides this, there is always some uncertainty about anything which is to occur in the future—uncertainty as to whether the debtor will be able to pay, uncertainty as to whether the creditor will be alive to receive payment, and this uncertainty, as well as the inconvenience of waiting for payment and the risk of non-payment, must be paid for.

Importance of Credit in Modern Business.

While credit inevitably involves higher prices, its importance in our modern world is stupendous. It enables the individual to transact an extraordinary amount of business with a very small capital, and the community to get along with an amount of currency exceedingly small as compared with the amount of business transacted. The retailer often grants credit to the general public; the wholesale merchant grants credit to the retailer, enabling him to sell his goods to the public before having to pay for them; the manufacturer gives credit to the wholesaler, the bank to the manufacturer, the general public to the bank. So, then, we have a perfect circle of credit, including all those concerned in the production, the handling, and the consumption of the goods. Everyone believes that the person to whom he has granted credit will be able at the time agreed upon to meet the obligation with ready money. Usually this trust is justified; otherwise it would not exist.

The Failure of Credit.

Sometimes, however, for one reason or another—perhaps a failure in the crops which makes the farmer unable to meet his obligations to the retail merchant, who has trusted him for supplies, or to the manufac-