HIGH PRICES OF COMMODITIES

Is a Real Sign of Prosperity—Notable Parliamentary Exposition of Some Economical Considerations —The Gold Theory.

The rise in the price of commodities is due to the discovery of new sources of wealth, to the increased investment of foreign capital in the Dominion, to the opening of new areas of cultivation, to larger and wider markets, to increased settlements of hitherto unsettled parts, to the increased number of people who have to be fed, to increased transportation, storing and refrigerating facilities, to the prevention of waste, to improved methods of production and distribution. This statement was made by Honorable Mackenzie King in the House of Commons in discussing the question in its relation to industrial combinations. The rise, he said, is to be welcomed as an actual increase in the wealth of the world and as reflecting the increased prosperity of our time, a prosperity in which the farmer, the mechanic, the business and professional man have all shared to a greater or less degree.

Markets Have Expanded.

He read a letter from a large firm of provision merchants giving causes of the increase of prices in some of the raw materilas and raw products. "The real situation in Ontario is that new markets of large dimensions have recently been opened for her products in the West, with its new settlers and railway construction, and the mining camps in New Ontario. At the same time a greatly increased outlet has developed in the towns and cities of the province, by reason of the steady increase of the non-productive population."

Extravagance of the Age

In dealing with the great extravagances of the wealthy class as a factor in the rise of prices, Mr. King said that under the conditions of development and expansion opportunities have been afforded to investors, to the possessors of great natural resources, and to those who have had to do with their development and the distribution of products and produce, a means of acquiring wealth such as comes but seldom to a people in the life of a nation. Unfortunately, the riches thus reaped do not always become generally distributed; while the prosperity is real enough, it somehow seems to converge into the hands of a few. This wealth so suddenly, and in many cases so easily acquired, has given rise, not infrequently, to standards of living to which its possessors were strangers a few years before. Money easily obtained has been lavishly displayed and spent, sometimes on more and better food, sometimes on more and better clothes, often on more and dearer luxuries.

What Are Prices?

"To examine in a more critical and scientific manner the causes of the increase in the rise of prices, it is necessary to consider first, what prices in reality are. Rightly understood they are the value of commodities in terms of gold. It follows, therefore, that whatever effects the relation of commodities to gold in the matter of supply or demand of either of these factors will have its effect upon prices. Prices are the result of an equation of which commodities and gold are the two factors; an increase in the former relative to the latter means a lowering of prices, an increase in the latter relative to the former an increase in prices. That the supply of gold has vastly increased is a matter of statistical record. That this increase relatively has been so considerable as to affect prices is the belief of many leading economists.

Gold Production and Its Effect

"When we look at the gold side of the question, we find that the total gold production in the world has been doubled in the last decade, and that ten years ago it was practically double what it had been ten years before that again. Against the increasing production there is to be placed the increased amount of gold necessary to meet the needs of a population vastly larger, and further, the large amount of gold consumed in the arts though the increase in the amount of gold used in the arts is, I understand, estimated by the best authorities to be considerably less relatively to the amount in use as a medium of exchange.

"This is a circumstance of course which sooner or later comes to affect all countries alike, for the flow of the precious metals is such that they invisibly and imperceptibly they gradually tend to find their level in all parts of the world. This cause may account for relative increases over periods of time, but the causes which account for actual prices in different countries are necessarily of a different nature.

Credit and Our Branch Banks

"There is a further influence closely associated with the production of gold, which is more impalpable and incalculable, and which comes into play in the shape of credit, by virtue of which one comparatively small quantity of gold does duty for vast movements of currency. The service which credit can render in this connection is enhanced in this country by the splendid system of branch banks which extends throughout the country? Credit, of course, rests primarily on confidence, which in turn, is based upon the actual or prospective wealth. The extent to which credit is likely to play a part in affecting will depend upon the degree of confidence in the business community. The whole level of prices will be found at intervals to be swayed according to the confidence or timidity of purchasers and investors. The rapid recovery from the panic of 1907 is attributed by many to the increased confidence which this increased organization has been able to produce.

Standards of Living

"Within a life-time the scale of living in North America particularly in towns and cities has been revolutionized. The luxury of yesterday has become the necessity of to-day. For the very wealthy take automobiles alone. What is believed to be a fair estimate of the output in the United States for one year is 160,000, while the output for the past seven years is placed at over 400,000.

"But to come to the standard of living of the average man. Our homes are more commodious, and better furnished than they were, equipped with all manner of conveniences unknown to our fathers. Electric light has taken the place of the kerosene lamp, furnaces have replaced box stoves; we travel, not on foot, but by electric car; children enjoy educational advantages which were not within the reach of their parents.

Great Industrial Expansion

"Some coarser lines of goods which were in demand twenty years ago are not now manufactured at all, there is no demand for them; the class buying such goods twenty years ago now buy goods of better quality. The present goods cost more than those of the past but they are as a matter of fact in most cases of considerably better quality. Unquestionably a change in the standard of living has been brought about with the large increase in our scale of expenditure, an increase which the credit system has helped to enhance

"What is even more important as accounting for the increased demand which has affected prices, is the enormous expenditure in connection with industrial expansion which has been going on, expenditures made very largely out of borrowed capital, on railways, towns, public works, and other large undertakings. Corporations and governments, national, provincial and municipal have been particularly borrowing for investment or at least for expenditure in the country.

Many Other Causes

"There are causes which in the long run are going to be of great service to the mass of the people. For example, the widening of markets in different parts of the world. European countries were formerly receiving much of their grain from other countries than Canada; to-day they find the supply in these countries diminishing while the demand is increasing at home, and they are looking to this country to supply them with the necessities of life in a larger measure than ever before, and with improved transportation and cold storage facilities, with commercial agencies scattered about in the world, the general policy of trade development which the Government has taken up, there is bound to be a greater demand for the goods of this country, and as the demand becomes greater, naturally the prices, for the time being at least will soar a little higher.

Wars Diverted Capital

"We have had in the last decade three important wars, the Russo-Japanese war, the Spanish-American war, and South African war. All of these wars have caused a large amount of capital, which might otherwise have gone into productive industry, to be diverted from it. And the expenditures and preparations which different nations have been making in the last few years in the way of preparations for war have also helped to remove from productive uses a certain amount of capital which might otherwise have been productively employed. Of course, one nation doing one thing necessitates a like action on the part of another, and in that way one nation cannot hope to escape part of the general toll which all nations are helping to exact.

Tariff as a Factor

"One feature that should also be considered is that where you limit competition from without and manufacture is carried on within by only a limited number of producers, a very strong inducement is put in the way of these men controlling these industries to unite their forces and to see that they get to themselves as far as they can the full benefit of any increased price which the tariff may permit. Many persons have the impression that the tariff in this way has become responsible in part for the formation of these trusts and combines, and a large number of persons feel that what the trusts and combines have done has been to seek to gather within their own group the industries that are protected, and then to take care to see that the full advantage which the tariff gives them goes to themselves as a consequence."