

Harvard Expert Outlines Reasons for Prevailing High Prices

Prof. Melvin T. Copeland of Harvard University delivered an address on "Responsibility for the High of Living" at St. Mark's Methodist Episcopal Church, Brookline, Mass., recently, in which he gave his views as to the reason for the high cost of living. In view of his academic standing and the fact that he was one of the members of the Massachusetts State Commission on the question of food costs, it is of more than passing interest. It is also indicative of the awakening which comes to a "high-brow" from intimate contact with business men.

"A good deal of the responsibility for the high cost of living lies in individual indifference, selfishness and disregard of the common interest of others," said Prof. Copeland. "The forces which have combined during the last six months to cause such a rapid rise in prices have been in large part beyond our personal control; nevertheless there is some personal responsibility for these high prices."

"Many of the attacks by the public agitators and in the press have been misdirected and unjust. Merchants have been condemned for carrying stocks of perishable food products in cold storage and not throwing them upon the market; yet it is only through such storage that the supply can be equalized throughout the year. Had all the eggs in cold storage been put on the market in December prices would have been lowered temporarily, but now there would be an egg famine."

"In the case of potatoes, likewise, it is necessary that the supplies be stored and marketed gradually during the non-producing season. There may have been some abuses, but we must recognize that storage is necessary to secure a fairly even supply throughout the year of articles which are of seasonal production."

"Great injustice has been done in the attacks upon retail grocers. Such stores have not been unusually profitable during the last year. The average retail grocer does not make a profit from his business in normal years and many have made no profit even in this period of high prices."

"In many ways railroad congestion has delayed traffic, curtailed supplies and helped to boost prices. This congestion has been aggravated by lack of proper freight terminal facilities. There is pressing need for a belt line, or some similar means of handling traffic here in Greater Boston; recognized for a score of years, yet nothing done."

"In general, there has been too much effort during the last six months to pin the blame for the high cost of living upon 'the other fellow.' A deal of the responsibility lies with us."

"The greatest factor in causing the recent rapid rise in prices has been the European war, which has brought about such a tremendous increase in exports. These exports have been paid for at high prices that have reacted upon all other prices. The war has also heavily increased the cost of transporting some products, such as coal."

"A second factor has been the serious shortage of many of our agricultural crops during the last year, due largely to unfavorable weather conditions. A third factor has been the general and increasing business activity of the last two years, resulting not only from foreign demands but also from greater domestic demands. Business activity has brought with it higher incomes and more continuous employment for many business men, professional men and wage earners."

"We have also suffered from greed and hoarding. The two most prominent examples of this are coal and sugar. Last November the newspapers announced that a coal famine was imminent. Then there was a frantic demand for coal, which sent prices soaring and cost the consumers thousands of dollars. The burden fell, as in every case, most heavily upon the poor. A run on coal or sugar is just as disastrous and just as unreasonable as a run on a bank."

"To meet the situation caused by the culmination of these several forces we have been unready to economize and change our habits. There is undoubtedly a great amount of waste in our homes, due to poor selection of foods, the failure to select suitable substitutes for articles of which the supply is inadequate, and not least the waste in the utilization of the foods which we do purchase."

"If war comes, let us hope, little as we are warranted in hoping, that it will not require a couple of years of blundering experience for us to learn how to take care of the interests of our civilian population to prevent unnecessary increases in the cost of living."

Against Price Fixing

The United States Supreme Court, at Washington, reversing the decision of the lower court, last week, pronounced unlawful price-fixing by means of limited licenses, in the suit brought by the Victor Talking Machine Company to restrain R. H. Macy and Co. (department store), of New York City from selling talking machines at "cut prices."

The principal question raised was whether, in disposing of its machines by giving a license only for their "use" for royalties (during the patent's term), and not outright title to purchasers, the Victor Company might thus lawfully regulate and restrict distribution of its products. A secondary question was whether the restriction of distribution through 7,000 "licensed" dealers was an illegal combination and monopoly under the Sherman anti-trust law.

Other talking machine manufacturers and other patentees generally use the license plan, restrictions upon actual sale prices having been held illegal by the court.

Justice Clark rendered the decision, in which he said: "While the notice permits the use of the machines, which have been fully paid for, by the 'unlicensed members of the general public,' significantly called in the bill 'the ultimate users, until the expiration of the patent having the longest term to run' (which under the copy of the notice set out in the bill would be July 22, 1930) it provides that if the licensee shall not have failed to observe the conditions of the license, and the Victor Company shall not have previously taken possession of the machine, as in the notice provided, then, perhaps sixteen years or more after he has paid for it and in all probability long after it has been worn out or become obsolete and worthless it shall become the property of the licensee."

"It thus becomes clear that this 'license notice' is not intended as a security for any further payment upon the machine, for the full price, called a 'royalty,' was paid before the plaintiff parted with the possession of it; that it is not to be used as a basis for tracing and keeping the plaintiff informed as to the condition or use of the machine, for no report of any character is required from the 'ultimate user' after he has paid the stipulated price; that, notwithstanding its apparently studied avoidance of the use of the word 'sale' and its frequent reference to the word 'use' the most obvious requirements for securing a bona-fide enforcement of the restrictions of the notice as to 'use' are omitted; and that, even by its own terms, the title to the machines ultimately vests in the 'ultimate users,' without further payment or action on their part, except patiently waiting for patents to expire or inventions, which, so far as this notice shows, may or may not be incorporated in the machine. There remains for this 'license notice' so far as we can discover, the function only of fixing and maintaining the price of plaintiff's machines to its agents and to the public and this we cannot doubt is the purpose for which it really was designed."

"Courts would be perversely blind if they failed to look through such an attempt, as this 'license notice' thus plainly is, to sell property for a full price and yet to place restraints upon its further alienation, such as have been hateful to the law from Lord Coke's day to ours, because obnoxious to the public interest. The scheme of distribution is not a system designed to secure to the plaintiff and to the public a reasonable use of its machines, within the grant of the patent laws, but is in substance and in fact a mere price fixing enterprise, which, if given effect, would work great and widespread injustice to innocent purchasers, for it must be recognized that not one purchaser in many would read such a notice, understand its involved and intricate phraseology, which bears many evidences of being formed to conceal rather than to make clear its real meaning and purpose. It would be a perversion of terms to call the transaction intended to be embodied in this system of marketing plaintiff's machines a 'license to use the invention.' (Bauer vs. Odonnell, 229 U. S. 1, 16.)"

"Convinced as we are that the purpose and the effect of this 'license notice' of plaintiff, considered as a part of its scheme for marketing its products, is not to secure to the plaintiff any use of its machines, as is contemplated by the patent statutes, but that its real and poorly-concealed purpose is to restrict the price of them, after the plaintiff had been paid for them and after they had passed into the possession of dealers and of the public, we conclude that it falls within the principles of Adams v. Burke, 17 Wall, 453, 456; and of Bauer v. Odonnell, 229 U. S. 1; that it is, therefore, invalid, and that the District Court properly held that the bill must fail for want of equity."

"It results that the decree of the Circuit Court of Appeals will be reversed, and that of the District Court affirmed."

FOOD TRADE SLOGANS.

Fallacies of Some and Soundness of Some Others.

"Our newspapers and public men have much to say recently concerning the high cost of living and we hear revived the familiar slogans 'From Farm to Table,' 'From Factory to Consumer,' 'Have Public Markets Under-Municipal Supervision' and 'Eliminate the Middleman'—plans expected to enable the consumer to save on his living expenses," says James Hewitt, writing the New York Journal of Commerce:

"I hesitate to speak of the 'Farm to Table' slogan. It takes a good pocketbook to buy direct from the farmer, and active, energetic retail grocers certainly have the best of him in prices for country fruits and produce. The farmer who desires to sell direct can only interest a small class of consumers, willing to pay any price if their ideas of freshness are duly flattered."

"The 'Factory to Consumer' slogan compels an expensive advertising campaign and a series of stores, with staffs of salesmen to sell just the particular article offered, at an expense that means no saving to the buyer."

"The slogan 'Municipal Market' is a delusion and a snare, costly to the taxpayers and of no practical benefit to the consumer. These slogans lead to no lower price to the householder, but rather an enhanced profit to the manufacturer. Most of the articles offered can be bought through the regular channels at no higher prices and frequently less."

"Even at their best these slogans are necessarily local and limited in their operations. Large distribution is more economically obtained through the medium of a wholesale house than in any other way and hence has developed our slogan, 'Manufacturer to Jobber, to Retailer, to Consumer.' The great bulk of distribution is made through this channel. The selling of a great quantity of goods at one time enables the manufacturer to purchase his raw material in large quantities, increase his efficiency and reduce the cost of manufacture."

"Selling to the wholesale house means a wide distribution of products at less expense of sales service. The manufacturer could not secure this distribution without much expenditure of time and money."

"Selling in large quantities helps to conserve the manufacturer's capital; the quick turnovers of stock keeps his goods fresh and enables him to make his purchases on a better basis."

"It is economical because it lessens the risk of bad debts and the need of having an expensive collection bureau."

"Wholesaler to Retailer' refers to the much abused 'middleman,' whom some would have the public believe expensive and useless and who is charged with adding to the high cost of living. Let us inquire what are his functions."

"He seeks to know what merchandise will best meet the needs of the community he serves. This knowledge is economical to the manufacturer."

"He enables the food products selected by reason of the quantity purchased to reach the market of distribution at the least expense of transportation. By reason of handling a great variety of goods the warehousing costs are distributed and become but a small tax upon each food product. We in the grocery business know that this cost is around 3 per cent."

"He exercises the important function of breaking the larger quantities of merchandise into lots suitable to the needs of the buyer, and this cost averages but 2 per cent. By means of his salesmen he brings to the notice of the retailer the goods needed at the lowest possible cost. This selling expense in our large cities averages around 3 per cent, and if the manufacturer were compelled to do it would cost around 10 per cent; a direct saving to the consumer of 7 per cent, and a much wider distribution."

"All these economical functions are performed by the wholesale grocer at an average net profit of about 2½ per cent on his sales. This leads me to consider the most important aid to the wholesaler in the exercise of these functions, his salesmen. Does the community realize the important work of these men?"

"Consider first the salesman's 'service lower,' wrapped up in his personality, his knowledge of goods, their intrinsic value and selling power, and the confidences placed in him by the retail grocer by reason of his long continued and faithful service. What a valuable economic force this is to the manufacturer at a cost of 3 per cent!"