statement of his assets and liabilties for the purpose of securing credit he may place the value of his property at $15,000. In his own mind he realizes that these valuations are more or less fictitious, though perhaps justified by custom. However, if he knows that the price which he can get for the property is $12,000, he knows that the actual value of the property is $12,000.

In connection with valuations of public utilities and the fixing of rates, although the basic principle which applies to the price of commodities and wages of labor and valuation of real estate constitutes the standard of normality, it is fully realized that, in practice, restrictions, legal and otherwise, operate to modify the application of this principle. However, it is evident to all that so long as these properties are owned and operated by private interests the return must ultimately be in proportion to the cost of production of that which is sold to the public. When operated by the public through government officials, if the rates paid for the service are not sufficient to cover the costs, the deficit has to be paid out of public funds.

It has been pointed out above that the curve for the fluctuation of prices of any particular commodity covering a long period of years, is so erratic that it is impossible to define from it either a "normal" price of the commodity or a "normal" rate of increase in price. However, if the curve representing the average of prices of a great number of basic commodities be drawn, the fluctuations are much less marked than those of any particular commodity.

Prices and productions costs, which constitute the norm of prices, are measured in terms of money. Wages and the cost of living, which is the norm of wages, are measured with the same yardstick, money.

A chart, covering a period of 46 years in the United States, shows that the curve of the price index for basic commodities keeps very close to parallelism with the curve representing the stock of legal tender in the country.

Early in March Professor Fisher's paper entitled "The New Price Revolution," was published by the Department of Labor. Owing to the fact that this was probably the first announcement to the public that prices would not fall, the statement contained in the paper commanded universal attention. This paper pointed out as the cause of the new price level the increase in the amount of money and credit instruments in the civilized world.

Professor Fisher's statement was followed a month later by a bulletin of the Division of Public Works and Construction, "Development of the Department of Labor," which briefly summarized all those facts concerning the records of foreign prices during the war period, the experience of the Civil War, and the war history of prices of basic commodities in this country, which had a bearing on the present situation. These facts were strictly in accord with Professor Fisher's announcement.

Present Price Level Accepted

During the past few months there has been evident a growing tendency on the part of the public to accept present prices and to wait further only for some assurance that prices would not fall.

The investigating committee appointed by the Illinois State Legislature in its report published May 6th, stated definitely that all the facts it had learned concerning wages and production costs and prices were in accord with the theory that a new price level had been established. As evidence of its complete acceptance of this fact, the legislature immediately authorized the letting of contracts for 650 miles of roads.

The growing volume of building operations throughout the country indicates that the public has largely given over its policy of waiting. The Department of Labor is daily in receipt of statements from leaders in business and finance attesting the correctness of the statements it has published concerning prices.

The Federal Reserve Bulletin for May states:—

"The underlying and most general factor tending to sustain the present high level of values is the credit and banking situation inflated as it is throughout the world. So long as the condition of inflation referred to continues to exist as at present, it must be expected that reductions of price will occur slowly as a result of changes in the demand for and supply of commodities. This will in some cases bring about reductions in the levels of values, but in others will produce corresponding and offsetting variations in the opposite direction. Prices will thus be subject to temporary oscillations, but in order to bring about any broad and far-reaching readjustment affecting the relationship of all commodities to the unit of purchasing power, inflated credit conditions must be eliminated, and the business community must be placed upon practically the footing in relation to credit and money which it is normally to occupy."

One of the factors that has tended to delay building operations has been the tendency on the part of bankers to refuse advances of money on the basis of valuations computed in terms of present prices of materials. It is hoped that the statement of the Federal Reserve Board will influence the bankers to pursue a more liberal policy.

Maximum Level Not Yet Reached

According to figures of the Bureau of Labor Statistics, the maximum level of wholesale prices of basic commodities was reached in September, 1918, the index figure being 207. This figure is based on the average for the year 1913 as 100. The index figure for the month of February was 197, for the month of March it was 200, for the month of April it was 203. Weekly quotations continue to show more commodidities advancing than declining. Thus it is seen that the price level is again within hailing distance of the maximum. The question to-day is not whether prices will fall or how much they will fall; it is rather, how much higher will they go? The principal commodities that have advanced recently are foodstuffs. Although there is a surplus in this country, there is a world to be fed; and the world supply is short. Mr. Herbert Hoover has been quoted as stating that wheat would probably go to $3.50 a bushel if all restrictions were removed. The cost of living is still increasing and the dollar is still on the decline. The problem is to arrest this decline in the purchasing power of the dollar.

People want to know to-day what future prices are likely to be. It is impossible to prophesy, but it is possible to view facts that will have a bearing on future prices. From these facts it may be possible to indicate future price tendencies.

It took 13 years after the Civil War for wholesale prices to get back to the pre-war level. The circumstances of that period were much more favorable for price reductions than they appear to be at the present time. As compared with the war just ended the Civil War was a purely local affair.

The reason why the present situation has been so difficult to understand is the fact that it is a world-wide phenomenon. The scope of the economic changes has been as wide as the war itself. In January of this year the Bureau of Labor Statistics' index figure for wholesale prices of all commodities showed an increase of 102 per cent. over the year 1913. At the same time the price level in England was 117 per cent. higher than in 1913; in France it was 249 per cent. higher. It is a significant fact that France, which showed such a marked rise in the price level, resorted to inflation to a much greater extent than did either England or the United States. In England and in America it has been considered wise to pay a large proportion of the expenses of the war through the levying of heavy taxes, thus minimizing the necessity for extension of the public debt and the inflation of currency. In those countries where it was considered expedient to avoid high taxation and to resort to inflation, the people are now paying the piper through the high prices they are obliged to give for the necessities of life.

Whether you believe with the majority of economists that the price level is the result of the amount of money, or whether you agree with the minority that the quantity of money accommodates itself to the price level, the present condition of world-wide high prices accompanied by a world-wide increase of money and credits, must be considered. Either prices in the future will be less because of a contraction in the amount of legal tender, or lower prices in the future must be accompanied by a decrease in the amount