FALLING PRICES, AND THE REMEDY, PP. 2-231

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Falling Prices, and the Remedy, pp. 2-231 by Lyman F. George

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LYMAN F. GEORGE

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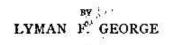
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AND THE REMEDY



Equity and justice demand that the merchant, manufacturer, farmer, and wage-carner shall receive as much consideration at the hands of the law-makers as is accorded to those who deal is money.

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I

FALLING PRICES.

eminent public men — those who are responsible for conditions growing out of legislation — the cause of this perpetual and ruinous fall in prices for such a long and trying period.

Having at best received only evasive or conflicting answers, and finding the anxiety intensifying in the mind of the business community, and suffering and distress increasing in the ranks of the working classes, the author determined to take up the study of political economy, and to discover, if possible, for himself the real cause of the rise and fall in values in the markets and nations of the world.

In undertaking this work the author resolved, at the outset, to pursue the subject on conscientious and patriotic lines, and to avoid those opinions put forth by men for the purpose of influencing votes for party success in order thereby to get legislation in the interest of special grants and privileges, instead of seeking the common welfare of the whole country. In order to do this he believed it necessary to study the laws and systems laid down by the old masters and authorities of the world, and then determine to the satisfaction of his own mind whether the rise and fall in prices, the high or low values ruling in different nations, were the result of chance, of nature, or of laws and systems designed by man for the purpose of producing desired results, and furthermore to ascertain if it were possible to get, through legislation, a continu-

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ous rise or a continuous fall in price, or to establish high or low values upon property and commodities by adopting a certain system and law designed to produce any desired effect upon prices by the people of any nation.

After having devoted much time and labor to study and research, the author submits to his readers the fixed and positive opinions of the world's standard authorities upon this great question, — making this single observation, however, that they are all of one opinion upon one point : namely, that all prices and values ruling in different nations are established by the *laws* and *systems* prevailing in those nations.

It is the firm belief of the author of these pages that the business men of New England are imbued with a broad and patriotic spirit; that they would waive all selfish ends in considering a great question involving the welfare of their whole country; and that if they found upon the study of such a question they had been mistaken in theory, they would, to a man, - as they substantially did from 1850 to 1860 upon the question of slavery, change their opinion in order to effect the greatest good to the greatest number. This belief has been the staff of encouragement upon which he has leaned in his earnest and untiring efforts to discover if there were laws and systems which would, if applied, lead us out of this long night of business depression and constantly falling prices,

CHAPTER I.

THIRTY YEARS' FALL IN PRICES.

ON January first of every year most business houses take their annual account of stock, as upon the rise or fall in the value of the stock on hand at that time depends very largely the profits of the previous year's business. This is such a self-evident fact that all prudent business men wait until stock has been taken, the books balanced, and the profit or loss of the past year's business ascertained, before placing contracts for the coming year.

All good business men understand the advantage of buying heavily at the beginning of the year, during periods of rising prices; and they also know the disadvantage of large purchases during periods of falling prices.

For the careful business man, who is not a student of political economy, or who is not familiar with the laws and systems designed to produce high or low prices, it is fairly safe for him, in making his calculations and fixing upon the policy to be pursued in his business affairs for the coming year, to be guided by the business prosperity of the nation during his past year's

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business. It is also considered good businesssense to act upon the theory that, if prices have been not only good, but have shown a slight advance in all departments of commerce and trade throughout the land over those of the preceding year, this is an indication that the markets are low in stocks of goods; that the factories and mills have been unable to keep supply up to the demand; and that under such conditions it would be safe to contract for a sufficiently large stock of goods to fill all prospective orders for at least the first six months of the year. It would also be reasonable and logical to think that, since the mills were unable to supply the demand of the previous year's trade, as reflected by a general rise in prices, under such circumstances labor throughout the country must not only have been fully employed, but must occupy a position in the labor market to dictate good pay, which in turn will enable the working class to consume a larger amount of goods.

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This would further deplete the stock on the markets, as it is clear that the working class is always in need of goods, and that its extent of purchases is limited only by the amount paid to it in wages. It will be seen by the law of cause and effect that this rise in prices would continue indefinitely, unless interfered with by some deeper principle more potent than the mere laws of trade. The increased demand caused by rising prices would constantly operate still further to raise

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prices. As far as the mercantile community and the producing classes are concerned, it must be admitted that this condition of trade would be very satisfactory. But that there is another class in society to whose interests this rise in prices would be detrimental will appear as the argument unfolds.

To reverse this picture, it can be shown that the falling prices which have prevailed for thirty years have produced the present deplorable conditions, and will continue indefinitely to do so under the same law of cause and effect that attends rising prices, unless corrected or checked by the same deeper and more potent principle alluded to above.

Prices in general in this country still have a downward tendency, and as a result the business men are reducing stock, whilst the mills and factories are either curtailing their output, shutting down, or reducing wages. That this condition of trade is very undesirable to the merchants, and to the producing classes generally, is evident without taking time to prove it. The fact that low prices have prevailed through any preceding year is proof that the subsequent year, with causes remaining the same, must continue to show a continuous fall. All conservative and prudent business men will purchase the smallest amount of stock possible to meet a constantly narrowing and shrinking demand. At the same time the output, which never lessens in ratio to the falling off in demand, helps to force down prices through the accumulation of

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