

**GOLD PRODUCTION AND FUTURE
PRICES: AN INQUIRY INTO THE
INCREASED PRODUCTION OF
GOLD AND OTHER CAUSES OF PRICE
CHANGES WITH A VIEW TO
DETERMINING THE FUTURE OF PRICES**

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Gold Production and Future Prices: An Inquiry into the Increased Production of Gold and Other Causes of Price Changes with a View to Determining the Future of Prices by Harrison H. Brace

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HARRISON H. BRACE

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BY

HARRISON H. BRACE, LL. M.



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INTRODUCTION

THE scholar in his study—the book-worm poring over musty volumes of prices and statistics, can point out to the practical business man methods whereby he can increase his profits. The very fact that the business man looks so carefully after the details of his business, prevents him from seeing the broad tendencies of commerce. If he would give some attention to the underlying principles on which business is based, it would increase the effectiveness of his work and of his management.

If the business man would consult the scholar in reference to the general movements of prices and commerce, and if the scholar would consult the practical business man in regard to any actual transactions he may make, it would be to the material benefit of each of them.

THE NATURE OF THE INQUIRY

There are general principles which govern prices causing tremendous swells of price movements—advancing or declining tendencies which last for years affecting, to some extent, all prices. But on the surface of this swelling tide are nu-

merous waves and depressions of price movements caused by all the things which go to further production, to consume its products, or to retard it,—especially those things which go to make or unmake the confidence which is among the most important of all business conditions.

The most effective of the general influences which underlie the great swells of price movements is the cost of producing gold as compared with the cost of producing all other commodities; while the waves and depressions which cover the surface are the alternate action and reaction of trade conditions or price making factors which affect only single commodities or groups of commodities.

COMPLICATIONS

The inquiry is thus seen to be a complicated one; and the economist is seldom able to isolate the different phenomena of prices. The only method is to examine the principal factors which may influence the result; and, by making due allowance for those factors which are of minor importance, to bring out clearly the great determining causes of price movements and form some opinion as to which of them will be most potent in the future.

A FEW POSTULATES

Prices among the principal commercial nations are measured in gold. Gold is the yard-stick of the financial world. But, though it be the yard-stick of values, its value is never absolutely stable; but it is always fluctuating. Its fluctuations are not rapid, of course, else it would never have been selected as a standard. Nevertheless, contrary to the opinion of the average business man, the value of gold is always changing in the same way as that of any other commodity. There is no commodity whose value remains always the same. ✓

The exchange value of gold is determined the same as that of any other commodity, by its demand and supply. But the principal reason why it is comparatively so stable in value is because there is such a large stock of it in existence. The loss of gold from all causes combined is very small. The old coins and jewelry are continually being melted in the mints and work-shops of the world, and the same stock is being used over and over again. Hence it is that fashions may change and gold be used to a greater or lesser degree industrially; nations may increase or decrease their gold coinage, but the value of the precious metal will remain nearly constant.

Nevertheless, as before stated and contrary to popular opinion, there are changes in the pur-

- . chasing power of gold. In the course of years they amount to a great deal; and it is to these gradual, but important, changes in value that we are about to address ourselves.