THE HIGH COST OF LIVING

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THE HIGH COST OF LIVING

REAL CAUSES UNDERLYING INCREASED COST OF COMMODITIES EXPLAINED

By ARNOLD PETERSEN

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INTRODUCTION

The capitalist, however ignorant he may be of the economic laws that govern the system of society which, to him, is "the best of all possible," capitalist society, is nevertheless, as a rule, long-headed enough, and class conscious enough to beware of doctrines that may prove hurtful to his class interests. He is also keen to grasp advantages that offer themselves when through these he can serve his ends and befuddle the minds of the workers. One of these "godsends" is the question of high prices. With painstaking care has he shown, through his agencies, the press, the colleges, and even through the pulpits, that the cause of high prices is something that partakes of the nature of divinities. It is one, yet manifold—it is here, there and everywhere, yet nowhere. The cause is everything imaginable (except the real one), from taxes to workingmen "soldiering on the job"—yet it is none of these. In short, the cause is a mysterious, undefinable something, which it is best for mortals not to go too deep into lest the wrath of the divinity be aroused. And whenever one of the hirelings of capitalism blundered on the truth, or saw a glimmering of it, it was dropped as if it were a hot piece of iron, or else wrapped in phraseology, and stewed in a mass of verbiage that at once made it utterly unintelligible to all, including the "discoverer."

All of this fits well into the general scheme of things, such as it is under capitalism. For at no time is clearer thinking more dangerous than when the minds of the workers are set grappling with economic problems. And the capitalist knows, or his instinct tells him, that once a worker's eyes are opened to the falsehoods of the teachings of official economy, an "economy made easy" through the press, pulpit, etc., once the worker senses the true relation between capital and labor, he, the capitalist{,} knows that he has lost a hold on him; and that for the mass of the workers to acquire this knowledge and truth would mean the end of his regime. For while capitalism may bribe one worker, it is manifestly impossible to bribe all. Hence the economic truths are withheld from the workers, and the master class triumphs.

Among the numerous examples of perversions of scientific truth, none stands out more glaringly than the question of high prices and their cause. The furious battle that has raged—and still is raging—around it testifies to the importance of the question. It is a question fraught with the greatest danger to the capitalists and to their retainers, whether these are found in the editorial sanctum, in the pulpit, or in the pro-capitalist labor unions. And the reason is obvious. For once the real cause is laid bare—the depreciation in the value of gold—then it soon becomes clear to the worker that most of the other issues ushered into the limelight are all offshoots from the same root, namely the private ownership of the means for producing the necessaries of life. He will further discover that since the cause lies in the depreciation in the value of gold, it is useless and utterly hopeless to attempt to solve the matter from the standpoint of the consumer. He will soon learn that *not lower prices*, but *higher wages* is the logical (though in the long run inadequate) remedy. To secure higher wages, however, he knows that he must organize with his fellow workmen into a class union, and not organize into "consumers' leagues," "co-operative societies," and what not. And having proceeded thus far he will soon discover, and Socialist agitation and education will aid him, that not higher wages, but the abolition of the wage system, is the only effective remedy for the many troubles that beset him, that turn society into a jungle and make of civilization a mockery. Arrived at this point he cannot long be left in doubt as to just what kind of a labor union is needed to achieve this aim; and ere long he will grasp the importance and necessity of organizing into an industrial union.

Accordingly, the entire pack that is now riding on the back of the working class, has a common interest in keeping the workers in ignorance of the true nature of the causes that operate to produce high prices. It is the mission of a party of Socialism at all times to teach the truth that the working class is robbed as a producing, and not as a consuming class. A party of Socialism that teaches that the workers are robbed as consumers, and which teaches that lower prices will benefit the working class, which accordingly scoffs at the idea that the depreciation in the value of gold is the central cause—such a party is betraying the interests of the working class and is playing directly into the hands of the enemies of that class. The Socialist Labor Party has nobly fulfilled its mission in this respect—and it was this party that first restated the economic truth of the gold question, and it is this same party which consistently has pointed out that the workers are robbed *at the point of production*, and that the emancipation of the workers lies via the combined action of industrial unionism and revolutionary political activity.

This little booklet is intended to help the beginner in Socialist economics to perceive this truth and aid him in understanding the problem confronting him. No originality is claimed for any of the theories advanced, nor even for the treatment of the subject. The aim has been to simplify the matter and to bring it within the scope of the average reader, without sacrificing any of the scientific truths involved—a somewhat difficult task in itself, considering the necessity for making the article as brief as possible.

The article following, entitled "Money" needs no introduction. The subject itself is so closely connected with that of the high cost of living that it was chosen to accompany the first in this pamphlet. It has hitherto appeared in a small, rather poorly gotten-up booklet—too small to warrant having it published as a separate pamphlet of the usual size. It is written in the masterly style characteristic of Daniel De Leon, and is as refreshing now as it was when written many years ago.

A. P.

October, 1914.

THE HIGH COST OF LIVING

By Arnold Petersen

The subject, “The High Cost of Living,” is one which has given rise to a world-wide discussion and agitation. The causes generally ascribed to the phenomenal increase in the price of the necessaries of life are as numerous as they are fantastic. Learned professors, big hearted social reformers, small and big business men, all have wrestled with the problem with the result that outside the Socialist camp the confusion is greater than ever before.

Where such a diversity of opinion prevails, where the inability to arrive at a common conclusion is as marked as in this case, it is usually due to lack of available information, to lack of ability of ascertaining facts related to the problem under investigation. This, however, can not be true of the question of the high cost of living. Statistics on the subject abound, and the science of political economy has long since furnished the key to the unlocking of these and similar mysteries.

Why, then, do we find our official economists, our professors and leading men in the world of commerce and finance, failing to agree on this question? Primarily because the question of the high cost of living is a “practical” one, one which necessarily involves the politics of the day—and furthermore because all the investigations and researches made so far, if carried to a logical finish, would show the fallacy of official, i.e., capitalist economics, and with irresistible force prove the correctness of scientific, i.e., Marxian or working class economics. Hence, in order that our professorial dignitaries may avoid a declaration of intellectual bankruptcy on their part, fiction and mysticism must be resorted to.

With but few exceptions our professors and other upholders of capitalist economics have perverted the science of political economy and made of it a jumble of meaningless words and phrases. The Socialists realize that just as Socialism is the heir to the best that is contained in the capitalist and preceding social systems, so is

Socialist economy the legitimate heir to the best that is to be found in classical, bourgeois political economy. Hence we proceed from the theories and facts left unshaken by later onslaughts, add to these the discoveries made since, in this particular field, and in the light of these facts we explain such phenomena as high prices, etc.

The rise in the prices of the necessaries of life is not local. It is world-wide in effect, and consequently it must have a world-wide cause; a cause, moreover, which operates regardless of conditions peculiar to any country within the sphere of modern civilization. Before dealing with the subject matter proper, it will therefore be necessary to investigate certain fundamental principles of economics which are, by their very nature, universal in their application.

A World of Commodities.

Whenever we buy or sell anything today we buy or sell commodities. Wealth in modern capitalist society is, to quote Marx, presented as "an immense accumulation of commodities." Upon a proper understanding of this wealth, of these commodities, depends to a large extent our understanding of all the past and present social and economic phenomena. It is therefore of prime importance to analyze and dissect this unit of present social wealth, the single commodity.

In order for a thing to be a commodity it must first of all have been produced by labor to satisfy the needs of persons other than the producers. A commodity presents itself in a two-fold aspect, as value in use and value in exchange.[1] The use-value of a commodity is determined by its particular quality of satisfying a human need of some sort or other. A police club, e.g., may be very useful as a means of defense against assailants; it is equally useful for the purpose of cracking the heads of striking workers. Its value in exchange, or exchange value, however, is determined *by the amount of socially necessary labor-time required for its*

[1] Aristotle, that giant intellect of ancient Greece, makes the following, for his time, remarkable observation:

"Of everything which we possess there are two uses; both belong to the thing as such, but not in the same manner, for one is the proper, and the other the improper or the secondary use of it. For example, a shoe is used for wear, and is used for exchange; both are uses of the shoe. He who gives a shoe in exchange for money or food to him who wants one, does indeed use the shoe as a shoe, but this is not its proper or primary purpose, for a shoe is not made to be an object of barter. The same may be said of all possessions, for the art of exchange extends to all of them." Aristotle here clearly distinguishes between the use-value and exchange-value of goods.

production. Let us see how.

Suppose we have two commodities, say a hat and a pair of shoes, and assume that one exchanges for the other in the market, (or, in everyday parlance: fetches the same price). It is clear that these two must have something in common, something apart from their particular utilities. For if we were to consider their utility only we might well ask: "Why is a pair of shoes equal to a hat; why are they not equal, for instance, to a diamond ring?" Most people would argue that in point of utility the shoes rank above a diamond ring. The reason, then, why it would require ever so many pairs of shoes to exchange for a diamond ring is that it has required *more socially necessary labor-time to produce the ring than it did to produce the, shoes.* Hence a given quantity of socially necessary labor-time in one commodity will exchange for the same quantity of labor-time in any other commodity, regardless of the particular utilities of the respective commodities. On the other hand, if the commodity is in no way useful, it is not exchangeable, no matter how great a quantity of labor-time is congealed in it. Ricardo, the English economist, "the last of the Mohicans" among the classical bourgeois economists, says: "That this [labor-time] is really the foundation of the exchangeable value of all things, excepting those which can not be increased by human industry, is a doctrine of the utmost importance in political economy, for from no other source do so many errors, and so much difference of opinion in that science proceed, as from the vague ideas which are attached to the word value."

The Socialist, acknowledging the truth of this statement, has taken the warning to heart. The capitalist professorial economists, however, true to their class interests, scenting the danger and perceiving the revolutionary tendency in admitting that labor is the only source of value, have, ostrich-like, buried their heads in the sand of economic fancy and fiction, and persistently denied or ignored this cardinal principle.

Price.

When we buy or sell commodities in the market, we do not, to be sure, inquire as to whether this or that article contains such or such a quantity of labor-time. In the commodity market only one thing interests us: its price. What, then, is price, and in what manner is it related to the value of the commodity?

The price of a commodity is determined by the fluctuations between the supply of and demand for any given commodity. The price may at one time be high, at another low. The very fact that these changes take place proves the existence of a central point, above or below which the price oscillates. If the supply and demand were equal, the oscillation would cease and the commodity is then said to be selling at its value. Normally, all commodities in the long run sell at their value; that is to say, they exchange, one for another, at a ratio determined by the amount of *socially necessary labor-time requisite for their reproduction*.

Some of our learned professors in economics advance the theory that the value of commodities is determined by the supply and demand in the market, i.e., by the difference existing between the supply and demand for any given commodity. But suppose supply and demand are equal? Why then, according to our professors' theory, the commodity would have no value at all. We shall illustrate this feature in economics by referring to the law of gravity. The law of gravity, briefly stated, is the accelerating tendency of bodies toward the center of the earth, being equal to the earth's attraction minus the centrifugal force arising from the rotation of the earth on its axis. Suppose a stone is dropped,—the natural tendency will be for it to fall in a straight line to the earth; but a gust of wind blowing from, say east, will cause it to fall in a westerly direction, and vice versa. This fact, however, by no means overthrows that central law, called the law of gravity. On the contrary, it confirms and proves the existence of this law. And similarly in economics. What the law of gravity is in physics, the law of value is in economics. Let us suppose that a straight line represents the *value* of a commodity; this is the amount of *socially* necessary labor-time requisite for its reproduction. The fluctuations in the market will act upon that commodity exactly as the gusts of wind acted upon the stone before. When the supply of an article is large and the demand small, its price will sink below its value; if the supply is small and the demand is keen, then the price will rise above the value.

In the long run, however, as stated before, the supply and the demand will neutralize each other and cause the commodity to sell at its value.

Medium of Exchange.

If we take the following commodities: 1 bushel of wheat, 100 lbs. of iron, 2 yds. of silk, and 1 oz. of gold, and assume that it has required ten hours of socially necessary labor-time for the production of the given quantity of each commodity, it follows that they will in the market be exchangeable with each other. That is to say, 1 bushel of wheat=100 lbs. iron=2 yards of silk=l oz. of gold=10 hours socially necessary labor-time.

There was a time in the evolution of society when exchange actually did take place in this manner. This is called the barter stage. Things were in the earliest days chiefly produced for consumption within the tribal community and only rarely was there any occasion to barter anything away. As the productivity of the human race increased, and its wants, and the desire to satisfy these wants, increased correspondingly, it became more and more difficult to exchange product for product directly. For instance one man might want to sell a certain thing and yet not be desirous of exchanging it for anything particular at that moment; and for other obvious reasons did it become impossible to exchange (barter) products directly. The necessity for a medium of exchange or a measure of value then arose.

At this early stage of society various commodities, at different times and in different countries, were set aside to meet this necessity. John Stuart Mill mentions furs, cattle, cubes of tea pressed close together, the shells called cowries on the coast of western Africa, blocks of salt in Abyssinia, iron in Lacedaemon, copper in the early Roman Republic, etc., etc., as having been used at one time or another as mediums of exchange.

All of these, however, lack the essential qualities which would fit them to serve in this capacity. A medium of exchange or measure of value must be easily divisible; it must not be perishable[2] and its bulk must be relatively small, so as to make it an easy matter to transport or carry it around. Suppose X has a horse and desires to exchange it for a cow, for instance. It would, indeed, be extremely difficult to ascertain at any given time how many parts of that horse would be equal to the cow or vice versa; and even suppose it was found, it would hardly be practical to cut off the excess in the value of the one to make it equal to the other![3]

It was eventually found that the precious metals, gold and silver, were the only objects which were suited for this purpose. For a long time merchants would carry

[2] "Peter Martyr who seems to have been a great lover of chocolate, remarks therefore of the cocoa bags which formed a species of Mexican gold: 'Oh, happy coin which furnishes mankind with a pleasant and useful beverage and keeps its possessors immune from the hell-born pest of avarice, since it cannot be either burned or preserved long."—Marx, *Critique of Political Economy*, p. 210.

[3] That cattle actually did serve as a medium of exchange at one time is proved (as Daniel De Leon and others have pointed out) by the existence of the word "pecuniary," which is derived from the Latin word "pecus," meaning cattle.

with them a bag of gold dust and weigh out the quantity required for any exchange of commodities. But as commerce grew and the number of commodities produced increased, even this arrangement proved itself inadequate.

Only when society had arrived at the stage of a centrally organized government, and this government placing its seal upon a certain quantity of gold or silver, guaranteeing it to have a certain weight, only then could the exchange of commodities take place with comparatively little friction, the seller of a commodity not being compelled to accept a thing in exchange which he probably had no use for. With money in the shape of coined gold or silver in existence, he could keep whatever money he acquired and exchange it whenever, and for whatever he pleased.[4] Money in the shape of coins expresses a certain fixed standard. Besides being a measure of value it also becomes the standard of price.

It is by overlooking the fact that gold serves in this double capacity that the confusion and seeming mystery of money appears. To quote Marx: "Gold as a measure of value and as standard of price has entirely different forms of manifestations, and the confusing of the two has resulted in the wildest of theories. Gold becomes the measure of value by virtue of its relation as exchange-value to commodities as exchange-values; as standard of price, a definite quantity of gold serves as a unit for other quantities of gold. Gold is the measure of value, because its *value is variable*; it is the standard of price because it is fixed as a constant unit of weight."—*Critique of Political Economy*, p. 83.

Gold as Medium of Exchange.

As said before: In the market commodities are exchangeable value for value. In order to make the point clearer we shall for the moment leave aside gold as a measure of value. Instead we shall use, say cattle. Now, suppose we have 10 bushels of wheat which at a given time is equal to one ox. We shall assume that the wheat as well as the ox represent an expenditure of human labor-power of say 20 hours.

[4] Aristotle says on this point: "When the inhabitants of one country became more dependent on those of another, and they imported what they needed and exported the surplus, money necessarily came into use. For the various necessaries of life are not easily carried about, and hence men agreed to employ for their dealings with each other something which was intrinsically useful and easily applicable to the purposes of life, for example, iron, silver and the like. Of this the value was at first measured by size and weight, but in process of time they put a stamp upon it, to save the trouble of weighing and to mark the value."

We have then

1 ox=20 hours.

10 bushels of wheat=20 hours,

or 1 ox=10 bushels of wheat.

Suppose now that by careful breeding, improved methods in caring for oxen, the labor-time socially necessary for the production of these falls one half. Assuming further that the time required for the production of wheat remains unchanged we have

1 ox=10 hours of labor.

10 bushels wheat=20 hours labor,

therefore

2 oxen=20 hours=10 bushels of wheat or

1 ox=10 hours=5 bushels of wheat.

In other words, while we formerly could exchange the ox for 10 bushels of wheat we must now give two oxen for the same quantity of wheat or, if we have only one ox, we must now be content with only 5 bushels. The value of the ox having fallen, it requires more oxen to exchange for other commodities, provided the value of these remain unchanged. In whatever measure other commodities depreciate in value, in that measure do they offset the effect of the depreciation in the value of the medium of exchange, in this case our ox, and if the depreciation is equal, both in the case of the ox and the wheat, the relation then remains the same and they will naturally be exchangeable just as before.

Substituting gold for cattle (and we assume gold to be the standard of money)[5] we have the same result. Assuming that one ounce of gold represents an expenditure of 20 hours of human labor-power, and the same quantity being

[5] Ratio between gold and silver: "In ancient Asia the ratio of gold to silver was 6 to 1 or 8 to 1. The latter ratio prevailed in China and Japan as late as the beginning of 19th Century. 10 to 1, the ratio at Xenophon's time (400 B.C.) may be considered as the average of the middle period of antiquity."—Marx, *Critique*, p. 214.

"Gold coin has been the only full legal tender in Great Britain since 1816 and was practically made the standard of United States in 1834. It was adopted as the mono-metallic standard of Germany in 1873, and when the mints of France and the Latin Union were subsequently closed to coinage of silver, it became practically the only international money of the western world. Ratio in ancient Egypt was 13-1/3—1; Greece and Rome, B.C., 10–1; and at time of Caesar's return to Rome 7-1/2—1."—*Standard Dictionary*.

In 1880 the ratio was 18.05–1; in 1890, 19.75–1; in 1900, 33.33–1; in 1912, 33.62–1.—*Report of U.S. Mint*, 1913.

required for the production of 10 bushels of wheat we have

1 ounce of gold=20 hours.

10 bushels wheat=20 hours.

or 1 ounce of gold=10 bushels of wheat.

Suppose now that owing to great discoveries of gold, increased facilities of extracting the gold from the ore, etc., the labor-time necessary for its production is decreased to 10 hours, we have then

1 ounce of gold=10 hours labor;

10 bushels wheat=20 hours labor;

or

2 ounces of gold=20 hours of labor;

10 bushels wheat=20 hours labor;

in other words, gold having depreciated in value by one half, it now requires twice the quantity to exchange it for the same quantity of wheat as before, assuming, of course, that the value of wheat remains unchanged. Suppose that the price of, i.e., the monetary expression of its value, of 1 ounce of gold, is $20, and remembering that the designation in dollars and cents given to a certain quantity of gold by governmental fiat[6] remains fixed, the matter becomes clearer when presented in this manner:

Before depreciation in value of gold we have

1 ounce of gold=20 hours labor=$20;

10 bushels wheat=20 hours labor=$20;

or

10 bushels of wheat=$20.

After depreciation:

1 ounce of gold=10 hours of labor=$20;

5 bushels wheat=10 hours labor=$20.

In other words, whereas in the first instance $20 was the price of 10 bushels of wheat, these $20, owing primarily to the depreciation in the value of gold and owing to the specific feature of gold as coined money, i.e., as a creature of law, these $20 will now purchase only (exchange for) 5 bushels. The depreciation in the value of gold by one half, therefore results in a doubling of the price of wheat. Similarly with all other commodities, if their values remain unchanged.

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[6] [See Uncle Sam and Brother Jonathan Dialogue on Fiat, page 23.]

We shall illustrate another feature of money, a feature in which it serves as a means of payment.

Suppose A owns a house worth, we shall say, $2,000. He desires to buy an automobile worth $1,000, but has no ready cash. He takes out a mortgage on his house for $1,000. Now let us assume that $1,000 at the time we are speaking of will purchase, say 500 bushels of wheat, and let us assume further, that at the time the mortgage is due $1,000 will only purchase 250 bushels. A's creditor when he gave him the $1,000 thinking only of the interest that would be coming to him, figured that he at any time could buy 500 bushels, but found now that his $1,000 are only worth 250 bushels. He is decidedly a loser. Can he refuse to accept settlement on the basis A proposes? Not at all. A has made him a legal tender as per agreement, and he must accept or forfeit his claim. On the other hand, if we were to assume that $1,000 at time of settlement will purchase instead of 500 bushels, 1,000 bushels, A, the debtor will be the loser, seeing that he would have to give the double quantity of wheat that he figured on at the time of taking out the mortgage. To quote Marx: "A fall in the value of the precious metal favors the debtors at the expense of the creditors, while a rise in their value favors the creditors at the expense of the debtors."—*Critique*, etc., p. 201.

If, however, A purchases the automobile and in payment offers a $1,000 bill and the seller refuses to accept this bill no matter how much it is certified by the Government, A has no choice but to let him keep his automobile. And should A insist on his accepting the bill and attempt to remove the machine by force he would be facing a jail term for theft or for grand larceny. It is in this case purely a matter of exchanging values for values or barter, and the seller of the article is in such case the sole judge as to whether to accept that which is offered him as an exchange.

That prices have gone up we need not be told. If they had not, we, for one thing, would not now be discussing that subject.

It may nevertheless be interesting to see to what extent some of the more important commodities have risen in price. We have selected the following:

Wholesale Prices:

		1900	1912		Percent
Wheat, per bushel	about	0.75	1.06	app.	41%
Flour, per barrel	”	3.40	4.65	”	37%

Wholesale Prices (Continued):

		1900	1912		Percent
Milk per quart	about	0.038	0.047	”	24%
Eggs, per doz.	”	0.19	0.40	”	110%
Beef, barrel	”	11.00	22.00	”	100%
Pork, barrel	”	10.50	18.75	”	78%
Bacon, Smoked, pound	”	0.0625	0.12	”	92%
Hams, Smoked, pound	”	0.0975	0.14	”	43%
Butter, best, pound	”	0.25	0.32	”	28%
Coffee, Rio, pound	”	0.08375	0.15125	”	80%
Beans, Choice, marrow, bush.	”	2.25	4.95	”	120%
Peas, per bushel	”	1.30	4.90	”	276%

Increase given averages 42 per cent, which undoubtedly is too low. It is generally admitted that prices have risen about 60 per cent in the last fifteen years.

Increase in the World's Production of Gold.

If the theory which we have advanced is true, then the production of gold must have increased at a great rate in the last few hundred years. An investigation shows that such is the case. John Hays Hammond, the well-known mining expert, and a man high in the capitalist world, estimates the world's gold supply at the time of the discovery of America in 1492 at $500,000,000. The amount produced since the discovery of America is about $14,775,000,000, of which $8,480,000,700 is now in circulation. From the time of the discovery of America, i.e., since 1492, until the discovery of gold in California and Australia in the years 1848 and 1850 respectively, the world's annual output of gold averaged about $8,871,412. From 1851 to 1870 inclusive the world's annual production of gold averaged about $129,800,000. From 1871 to 1890, inclusive, the annual output declined somewhat, averaging $110,500,000. Beginning in 1891, with an annual output valued at $130,650,000, there has been practically an uninterrupted annual increase in the production of gold. From 1891 to 1900, inclusive, the gold output was $2,101,241,400. From 1901 to 1910, inclusive, the output was $3,780,703,200.

During the last thirty years the gold production of the world has amounted to about $7,000,000,000, about one-half of the entire gold production from the time of the discovery of America in 1492 up to 1910. In the year 1911 the output of gold was $461,939,700; in 1912, $466,136,100.

As above indicated this enormous increase of the world's gold production began when America was discovered. The Spanish explorers and adventurers brought back to Europe great quantities of gold and silver from Mexico, Peru and other places. The effect was soon felt in Europe. From the year 1535 to about the year 1600, prices in northern Europe almost trebled. We have in our own days observed the same phenomenon—the rise in prices since the discoveries of gold in California in 1849 and elsewhere has been tremendous. Besides new discoveries of gold mines, improved methods in extracting gold from ore have been introduced.[7]

By these irrefutable facts the theory with which Socialism explains the cause of high prices has been amply verified.

The following table taken from the report of the Director of the United States Mint (and from which above figures are extracted) shows the exact figures of world production of gold since 1493:

World's Gold Production Since Discovery of America.

[From 1493 to 1885 is from a table of averages for certain periods, compiled by Dr. Adolph Soetbeer; for the years since the production is the annual estimate of the Bureau of the Mint.]

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[7] "The extraction of gold from the auriferous rocks known as low grade, by means of the stamp crushing process, has flooded the world during the past few years with that desirable metal, and has, according to economists, helped send up the price of everything that gold buys. Now comes the information that other improvements in gold extraction are being effected which may somewhat further extend the possibility of mining low grade ores and further accelerate the yellow flood.

"The stamp mill is being replaced by the tube mill, a device for pulverizing rocky particles by grinding them inside a tubular container. This improved appliance surpasses the stamp in that it pulverizes a given amount of rock with far less labor and expense. Tube mills are now generally employed in the Rand, where they are still supplemented by stamps, to do the preliminary work of coarse crushing. Quite recently James Yule, president of the South African Institute of Engineers, suggested the likelihood that roll crushers might soon replace the stamp mills, even for much of the coarse work.

"All these changes mean a cheapening of the cost, per ton of rock, of extracting gold and for each cent's reduction in the cost of extracting per ton millions of tons of rock which formerly were not worth handling become paying. Predictions as to the early slackening of the fevered gold production of the past decade rnay therefore prove mistaken."—*N.Y. Evening Sun*.

Period	Annual average for period	Total for period
1493–1520	$ 3,855,000	$107,931,000
1521–1544	4,759,000	114,205,000
1545–1560	5,656,000	90,492,000
1561–1580	4,546,000	90,917,000
1581–1600	4,905,000	98,095,000
1601–1620	5,662,000	113,248,000
1621–1640	5,516,000	110,324,000
1641–1660	5,828,000	116,571,000
1661–1680	6,154,000	123,084,000
1681–1700	7,154,000	143,088,000
1701–1720	8,520,000	170,403,000
1721–1740	12,681,000	253,611,000
1741–1760	16,356,000	327,1116,000
1761–1780	13,761,000	275,211,000
1781–1800	11,823,000	236,464,000
1801–1810	11,815,000	118,152,000
1811–1820	7,606,000	76,063,000
1821–1830	9,448,000	94,479,000
1831–1840	13,484,000	134,841,000
1841–1850	36,393,000	363,928,000
1851–1855	132,513,000	662,566,000
1856–1860	134,083,000	670,415,000
1861–1865	122,989,000	614,944,000
1866–1870	129,614,000	648,071,000
1871–1875	115,577,000	577,883,000
1876–1880	114,586,000	572,931,000
1881–1885	99,116,000	495,582,000
1886–1890	112,895,000	564,474,000
1891–1895	162,947,000	814,736,000
1896–1900	257,301,100	1,286,505,400
1901-1905	322,619,800	1,613,099,100
1906		402,503,000

Gold Production (Continued.)

Period	Annual average for period	Total for period
1907		412,966,600
1908		442,836,900
1909		454,059,100
1910		455,239,100
1911		461,939,700
1912		466,136,100
Total,		$14,775,110,000

The *New York World* reprints from the *San Francisco Chronicle* a list of 32 "reasons" for the phenomenal increase in the necessaries of life. To the credit of the compiler, he opens the list as follows: "The enormously increased output of gold." He might have stopped there.

The remaining 31 "reasons," or most of them, are incredibly ridiculous. We shall take up a few of those most commonly advanced. While some minor factors, such as the tariff, the trusts, etc., temporarily may accelerate the upward march of prices, their effect is of no significance as compared to the real, central cause, the depreciation in the value of gold.

First—13 on the list—the tariff. It is charged that a heavy tariff will increase the prices of commodities and that a removal thereof would settle the question of high prices. We can do no better than to quote Hammond again. Says he: "That the American protective tariff cannot be considered an important, certainly not a determining, factor in the high cost of living, is conclusively proved

"1—By the fact that the phenomenon is, as we have said, worldwide in extent.

"2—That, in spite of the high tariff prevailing, there was a low level of commodities from the year 1873 to the year 1895; and there have been similar instances in other periods of our history.

"3—That the present Payne-Aldrich tariff law is not responsible is shown by the fact that the rise in prices began before that law was passed.

"4—That there has been a rise in prices of many commodities that were transferred to the free list; (for example coal, anthracite, was 4.25 per ton, now 5.25; coffee was 0.08375, now 0.15125 per lb.; hides were 0.1325, now 0.1975 per lb.)

"5—That there has been a decrease in the prices of many commodities the duties on which were not changed by the tariff."

Another reason advanced is the existence of the trusts. If this were the cause, then prices should have remained stationary in countries where there are no trusts. We do not find this to be the case. Take a country like Denmark, where the trust has not made its appearance. We find that prices there have risen at least 38 per cent since 1897, according to statistics obtainable.

A third common reason advanced is that the workers, by getting higher wages, are adding to the cost of production. This is one of the most pernicious, as it certainly is the falsest, of all the claims. True enough, the capitalist, exceptionally and temporarily, may seize upon higher wages as a pretext for raising the prices. But we ask: If the capitalist can raise prices arbitrarily is anyone so innocent to suppose that he would wait until his workers made their demand? Furthermore, if it were such an easy matter for him to recoup himself, why should he go to all the trouble and expense which strikes necessarily involve? This theory of the capitalist raising prices at will has been exploited by the capitalist dailies to its limits. Repeatedly have they warned the workers that higher wages spell higher prices. The sound instinct of the workers tells them that it is a lie, deliberately foisted upon them by their masters' spokesmen.

As the greater number of the reasons on the list are in the nature of taxes, the theories being that the workers pay higher prices by taxes being imposed, we shall deal with them all at once, and at the same time show the absurdity of the above theory. We shall also endeavor to point out the remedy. Temporarily the workers must fight for higher wages, though the permanent remedy is the overthrow of the capitalist system of production.

The Remedy.

The wage-worker under our present capitalist system of society finds himself in an unenviable position—stripped of all property, the workingman possesses but one thing, which is of vital importance to him: his labor-power, i.e., his ability to perform a useful function of some sort or other. This labor-power of the workingman is a commodity, and this the worker must sell at whatever price he can obtain in the labor market. The price is commonly called wages. The commodity labor-power partakes of the characteristics of all other commodities. It has two values: its use-value, which consists in its being capable of producing more values than it consumes, and its exchange-value, which is determined by the amount of socially necessary labor-time required to maintain and reproduce the commodity labor-power, i.e., food, clothing, and shelter for himself and family. Hence in selling his labor-power for these necessaries of life he is selling it at its value. This value, however, is based upon the recognition of a certain standard of living, which is itself the product of an historical process,—of tradition.

Let us suppose that the line A B C

A|———————————|B———————————————————————|C

Value of Labor-Power — Surplus Labor-time or Surplus-Value

represents the value of the product of a day's labor, say a day of 10 hours. The value of the workingman's labor-power, was, as we showed above, determined by the amount of socially necessary things for the maintenance and reproduction of him as a workingman. Let us assume that the quantity of food, clothing, shelter, etc., which he at a given time needs requires for its production 2 hours; this, then, constitutes the value of his labor-power and will be his share of the total product; hence from A to B. He has, however, agreed to work 10 hours, this being the only condition upon which the capitalist would hire him. The product of the remaining 8 hours is appropriated by the capitalist and constitutes the *surplus-value*, i.e., value produced over and above the value of the worker's labor-power. Now, since we have premised our argument on this line as representing the value of the products of a 10-hour working day, it follows that if the worker secures a raise in wages, it can not be by extending the line beyond C, but by *moving* B nearer to C; in other words, by decreasing the surplus-value which the master-class would otherwise pocket. Hence their frantic cries. Conversely, if the prices of the necessaries of life were reduced it would mean that the food, shelter, etc., of the workers would be so much cheaper, hence their value, as expressed in money, lower, and we would see the point B removed nearer to A. In other words, the capitalist could buy the worker so much cheaper, and the surplus-value, which flows into the coffers of the capitalist class, would increase so much.

Now it may be argued that if the depreciation of the value of gold has caused prices on all other commodities to go sky-high, why has it not had a similar effect on the commodity labor-power? Primarily because the worker under capitalism must sell his commodity regardless of conditions in the market. He cannot put himself in cold storage and await a time propitious for the sale of that labor-power. Moreover, the ranks of the proletariat are swelling owing to the disintegration of the middle class. Furthermore, the existence of a vast army of unemployed, which is increasing at an appalling rate, due to introduction of labor-saving machinery and the concentration of capital, causes a keen competition for the available jobs. And last, but not least, the worker's failure of even keeping up the price of his labor-power in even tempo with the soaring prices is due to the *lack of proper organization*.

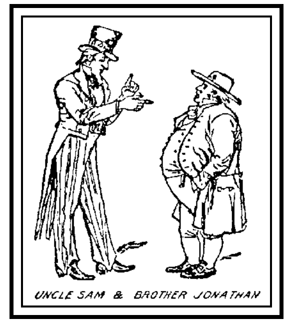
Organization! This then is the only effective remedy for the high cost of living. The working class must organize itself as a class industrially, concentrate the only commodity it has to sell, its labor-power, into one homogeneous body: the industrial union. But it must be remembered that even with the best organizations, the problems confronting the only wealth producers, the working class, cannot be satisfactorily solved unless they tear up the root of all our social evils: the capitalist system of private ownership in the socially necessary tools for production. The workers must bear in mind that even if they better their conditions now, if this is not followed up by strengthening their industrial and political organizations, preparing them for the unconditional overthrow of the system, which, at the best, keeps them down to the level of commodities, estimated and reckoned with as such by their capitalist masters, they will soon be on the downward plane again and possibly worse than before.

To act correctly it is necessary that we think correctly. And to think correctly we must acquire knowledge, ascertain facts, and study the economic laws of the social system under which we live.

The strength of the Socialist and labor movement lies in its basing its arguments upon ascertainable facts, by keeping itself on solid ground. In Greek mythology the story goes, that a giant, Antæus of Libya, son of Poseidon and Gæa, compelled all strangers passing through the country to wrestle with him, and as he, when thrown to the ground, derived fresh strength from each successive contact with his mother Earth, he proved himself invincible. With the skulls of those whom he had slain, he built a temple to his father. Hercules, the famous hero of Greek mythology, in combat with him, discovered the source of his strength, and lifting him up from the earth crushed him to death. This is what the capitalist class and its flunkies are trying to do to the working class and movement of today. So long as they can keep the workers up in the clouds away from old mother earth, away from the material facts, away from the real relations of the two classes in society, so long will they be able to crush labor as they have been doing it in the past. But when the workers realize,—and they are doing it now,—that they are invincible so long as they keep their feet on earth and do not allow themselves to be taken through the misty regions of the upper spheres, they will then put an end to the social system, which reduces them to the level of commodities, and they will then strike the road which leads to their emancipation.

Socialism is their only salvation.

UNCLE SAM and BROTHER JONATHAN DIALOGUE ON FIAT



[The Uncle Sam and Brother Jonathan dialogues were a regular feature of *The People* and *Daily People*. Most were written by Daniel De Leon and covered political, economic and allied topics. Uncle Sam typifies the Socialist Labor Party position and Brother Jonathan the opponent's position. The following dialogue is from the *Daily People* of Sunday, December 8, 1912.]

BROTHER JONATHAN—Have you time today to clear up to me that matter of "fiat" that you touched upon last week? It seems to me that you used the word in several meanings.

UNCLE SAM—Quite likely, I did. To understand what the "fiat of government" means, in the matter of money, we shall have to go back a little.

B.J.—Go as far back as you like. I have time.

U.S. (takes a spic and span new silver dollar out of his pocket and holds it up to B.J.)—You see this piece of metal?

B.J.—I do.

U.S.—What do you call it?

B.J.—A silver dollar.

U.S. (takes a worn out and dilapidated-looking silver dollar out of another pocket, and holds that up to B.J.)—And what do you call this piece of metal.

B.J. (examines the dollar)—Why, a silver dollar.

U.S.—Would you just as lief have this old and worn out fellow as this young and bright one?

B.J.—Well—yes—and no—

U.S.—Neither would I. Why?

B.J.—Well, the younger fellow looks better.

U.S.—And is better. You sell hats—

B.J.—Mighty good hats! Do you want to buy one?

U.S.—Have you any dollar-hats?

B.J.—Sure. I cater to all tastes and classes.

U.S.—If I wanted one of your dollar-hats, would you gladly accept this worn-out old fellow in payment?

B.J. (hesitatingly)—Not unless trade was very slack.

U.S.—Why?

B.J.—You would not ask why, if you were in business. If trade is good we insist upon good pay. An unworn-out silver dollar will pass anywhere. If trade is slack, then we might accept that worn-out fellow, calculating that what I might lose on it will be more than made up by my profits.

U.S.—And why should you lose on it?

B.J.—Because I might have difficulty in getting rid of it. Others may not accept it.

U.S.—And why should they not?

B.J.—Because—because—be—

U.S.—Yes because, whether they give themselves an account of their mind or not, the worn-out dollar does not contain the full value of a silver dollar.

B.J.—Guess that's it.

U.S.—Which means that when you sell a hat for one dollar, what you have done is to barter a hat for an amount of silver that is of equal value. What the amount of silver is, which is contained in the dollar, you do not bother to weigh. The government's stamp tells you that the transaction is one of barter; you are not bound to accept the stamp of the government as correct. If you suspect that stamp is no longer truthful you can reject the proffered dollar, regardless of what the stamp of government says.

B.J.—Then the stamp is the "fiat"?

U.S.—Yes and no. But not so fast. Suppose I want one of your dollar-hats, but have not the money to pay, and you give me a month's credit, and at the end of the mouth I brought you this worn-out fellow, and suppose trade is brisk—would you accept this worn-out dollar?

B.J.—No more than before!

U.S.—Would you reject it?

B.J.—Sure!

U.S.—And if I walked away?

B.J.—I would sue you.

U.S.—And your case would be thrown out of court.

B.J.—The devil, you say.

U.S.—There is no devil in the case but law. When I paid you, in the first transaction, we bartered—you, the hat for silver; I, the silver for the hat. It being a case of barter, each of us was sovereign, individually sovereign. When however, you gave me credit, and I later came to pay you, the dollar I gave you is a "legal tender"; that dollar, though remotely based on the barter of value for value, is now used, not as a medium of exchange, but as "means of payment." The dollar being "legal tender," you have no cause of action against me. And the dollar IS a dollar, exercises the function of a dollar because the government's stamp says so—that is the government's FIAT, and the fiat is of controlling power in the payment of debts.

B.J. scratches the back of his ear.

U.S.—No wonder you are puzzled. The "fiat" is a storm center—impossible to understand without grasping the barter nature of some commercial transactions, and the debt-paying nature of others. Government chicanery and upper capitalist financial legislation often contribute to make the point more puzzling, and to impart to the fiat the aspect of swindle.