

## CHAPTER III

### THE COST OF LIVING AND THE FOOD SUPPLY

“PRICES are fixed by the law of demand and supply,” the speculators say. “If the demand is in excess of the supply prices rise; if the supply is in excess of the demand prices fall. We do not make high prices. The laws of political economy do. You must suspend her laws, not punish us, if you do not get enough to eat or have to pay more than you like for food.”

That prices are fixed by demand and supply is a principle of general application when competition is free and no obstacles prevent the free play of competition. Moreover, if the supply of some article of general consumption is only a little below the demand prices tend to rise far above the prices which should otherwise prevail. Then as prices advance the demand slackens and a new equilibrium is established. This was the condition which prevailed in our food supply up to a few years ago when the local market established prices. The farmers made a comfortable living, and the cost of food was not an item of serious consideration to any save the very poor. Food was abundant and prices were low, as they should be in this country. For food

should be a small item in our budget even with the prosperity and the great export demand which now prevails.

But the price of food has mounted skyward. The poor are suffering from actual want. Persons of reasonable incomes do not get enough to supply their needs, while those of relatively large incomes feel the pinch of the cost of meat, poultry, eggs, butter, sugar, and many articles that a few years ago were the commonest of articles upon their tables.

Is there any justification for this situation? Are the speculators justified in their defense? Must we control the laws of demand and supply, or is the trouble that the law of demand and supply is not permitted to operate and prices are fixed arbitrarily by the speculators who have themselves created scarcity conditions?

Statistics of prices and food supply seem to demonstrate several things:

*One*—that the prices we are paying are far in excess of what we should pay, even with the law of demand and supply freely operative;

*Two*—that there is not as much food produced per capita as there should be and not nearly as much as could easily be produced; and

*Three*—that the government must step in and insure the free play of the law of demand and supply and also suspend the operations of the law when the supply is so much below the demand that artificial

and monopoly prices are created by its operation. In other words, the farmer and the consumer should be given the fullest possible assurance of free competition and the consumer should be protected from any monopoly price because of a shortage.

First, as to the increase in costs of food and the condition of the great mass of the people in consequence.

The April, 1917, *Review* of the United States Bureau of Labor Statistics, discussing the rise in wages as compared with the rise in the price of food, says that while the former rose nine points from 1912 to 1916, retail food prices rose twenty points. Food rose in price twice as rapidly as wages. In the four years from February 15, 1913, to February 15, 1917, flour increased 69 per cent., eggs 61 per cent., and potatoes 224 per cent., says the same authority. Anthracite range coal sold in New York for \$5.00 a ton in January, 1915. In January, 1917, its price was \$8.75 a ton.

Mr. Amos R. E. Pinchot, in a statement presented to the Senate Committee on Finance in the spring of 1917, stated that the rise in wages in the five years, 1912-1917, was less than 18 per cent. In the case of most professional people, shopkeepers, farmers, etc., there has been no appreciable increase at all. On the other hand, the cost of living has gone up to such a degree that, according to the figures in the *New York Times Annalist*, April 23, 1917, the prices

of the twenty-five most common and necessary food commodities of the average family have almost doubled between April, 1915, and April, 1917. According to Dun's index figures dairy and garden products increased 84 per cent. in price between April 1, 1914, and April 1, 1917. Meat went up 46 per cent. in the same period; clothing 49 per cent.; metals 69 per cent., and foodstuffs 105 per cent. The figures of the Old Dutch Market, Incorporated, of Washington, D. C., show that during the period mentioned there was an average increase of 85.32 per cent. in a list of sixty table necessities, including meats, canned goods, eggs, vegetables, etc. As a consequence, the poor can no longer buy the same quality of food they were previously able to obtain, nor can they buy in adequate quantities.

This is also the testimony of the food committee appointed by the Commissioners of the District of Columbia, which stated:

"Interesting figures were obtained," says the committee, "from the proprietors of some of the smaller stores whose business is with the poorer people. They show clearly that the poor have been compelled to resort to the strictest economy in order to provide food, on account of high prices. Their purchases are of the cheapest possible articles, and in smaller quantities than heretofore. The sale of ordinary cuts of meats in this class of stores seems to have been discontinued, and the meat now pur-

chased consists of hog livers, hog kidneys, neck bones, hog faces, etc.”

That similar conditions hold true in the poorer sections of New York is evidenced by the testimony of Miss Helen Todd, who was appointed to investigate the effect of the high cost of food on school children and reported that their scholarship had been measurably lowered through malnutrition.

In the important item of shoes we have the word of Mr. James Coward, the well-known shoe manufacturer, that staple shoes that were sold at \$3.95 a pair two years ago sell to-day for \$6.50. Kidskin that was 32 cents a foot a year ago is now 80 cents a foot. And the price of shoes is still climbing, with the prospect that there will be a still greater increase this year than last.

Contrasted with these hardships which affect the great bulk of our people is the economic position of 2 per cent. of them, who own among them 65 per cent. of the country's total wealth.<sup>1</sup> It is to this class and those just below them that the great prosperity about which we have heard so much lately has fallen. They are the stockholders and directors of the big corporations which have grown rich on war profits, the holders of stock in the munitions industry, and the directors of the loan-floating bank syndicates. War profits have not gone to clerks, teachers, professional men, or persons with a fixed

<sup>1</sup> Estimate of Professor King, of the University of Wisconsin.

income. They have increased wages far less than they have increased costs of food, fuel, clothes, and rent, but they have enriched the privileged classes and the producers of war materials and supplies enormously.<sup>1</sup>

Is there any justification for this increase in the cost of food? Was there such a shortage as explains the increase of 84 per cent. in dairy and garden products and 105 per cent. in foodstuffs between April, 1915, and April, 1917, as reported by the *New York Times Annalist*.

Secretary of Agriculture, Mr. Houston, says that high prices are not due to actual shortage. There is enough food produced. Despite a 33 per cent. increase in population between 1899 and 1915, the production of food per capita has remained substantially the same in many staple foods. It has increased in some and only fallen in a few. His figures of food production for leading articles of food, as stated in a published interview, are given in table on opposite page.

The per-capita production of sugar has increased threefold in sixteen years; in eggs there is a slight increase reported, but in meats, milk, and cereals there has been a substantial falling off. Yet the price of sugar has risen as have other articles, while those cereals in which there has been an increase in

<sup>1</sup> From statement and statistics presented before Senate Committee on Finance by Mr. Amos R. E. Pinchot.

production have acted much as have those in which the production has fallen.

We are not therefore paying a scarcity price but

## FOOD SUPPLY OF THE UNITED STATES

	TOTAL PRODUCTION	PER-CAPITA PRODUCTION
	Meats—beef, veal, mutton, and pork (pounds)	
1899 .....	18,865,000,000	248.2
1909 .....	19,712,000,000	213.9
1915 .....	22,378,000,000	219.6
	Milk (gallons)	
1899 .....	7,265,804,304	95.6
1909 .....	7,466,406,384	81.0
1915 (estimated) .	7,696,844,000	75.5
	Eggs (dozens)	
1899 .....	1,214,000,000	17.0
1909 .....	1,591,000,000	17.3
1915 .....	1,811,000,000	17.8
	Cereals—corn, wheat, and rice (bushels)	
1899 .....	3,333,868,710	43.9
1909 .....	3,257,407,468	35.3
1915 .....	4,094,986,399	40.2
	Potatoes (bushels)	
1899 .....	273,318,167	3.6
1909 .....	289,194,965	4.2
1915 .....	359,103,000	3.5
	Sugar (pounds)	
1899 .....	486,006,871	6.4
1909 .....	1,688,390,143	18.3
1915 .....	2,025,680,000	19.9

a price either artificially created by speculation or a price unduly high because the supply is not up to the reasonable demand of the country, just now

enjoying an unusual degree of prosperity, in which the shortage of supply has given the whole output a higher value than should prevail. Speculation is unquestionably responsible for a great part of the increase. And some method of price-fixing may be necessary, even with speculation eliminated, to keep down prices due to the shortage of some supplies.

But the startling fact is that food production per capita in the United States is falling. Despite all of the contributions of the government, of agricultural schools, of farm machinery, there is less food produced per capita than there was sixteen years ago. Something is the matter with agriculture in America. These conditions will be discussed in later chapters.

First let us consider as to whether the alleged food shortage explains the great increase in prices and the extent to which the supply of food and its price has been artificially controlled by the distributing agencies, middlemen, speculators, etc., which have come into so much prominence in this field during the last ten years.