The Cost of Living Problem

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Member, Federal Reserve Board

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That there is a feeling of unrest abroad in the country is too obvious to admit of questioning. That this unrest is delaying the recovery and re-adjustment of industry and in general the restoration of normal conditions seems almost equally obvious. That this unrest is social as well as industrial is becoming clearer every day. That the unrest in the United States is a part of the general world unrest following the great war has latterly become evident. That the situation is a serious one can not be denied, but just because it is serious it is well not to make it more serious by taking it too seriously. Alarm and apprehension do not create the best atmosphere in which to take wise counsel and make wise decisions. On the other hand the situation is not one to be taken light-heartedly as some are showing a disposition to do. It will not do to dismiss the existing unrest with the remark that it is "natural" after such a war as the world has gone through these past five years and that conditions are worse in other countries than our own. It is no ordinary condition of unrest with which we are confronted. Industrial discontent forms a large part of it but it is more than an industrial question that is presented. Doubts, distrust and antagonism have taken hold of the mind and soul of large sections of the populations of all the leading countries of the world, our own included, with respect to existing institutions and other social classes. The prevalent unrest presents therefore, a condition of mind to be dealt with. To handle it successfully means that its causes must be carefully understood. Sympathy, as well as intelligence must, therefore, be applied to their examination, if a quick way out of the impending situation is to be found and our country saved the pain and turmoil, sacrifice, waste, ruin and class bitterness, which an unintelligent and unsympathetic handling of the situation would involve.

CAUSES OF INDUSTRIAL UNREST

Among the causes of industrial unrest in the United States at the present time there are two which seem especially worthy of public attention, particularly among the employing classes:

1. The declining value of the dollar with the high and advancing cost of living; and,

2. The absence of a national and constructive policy with respect to labor.

Indeed, these two are largely intertwined. Cost of living has developed into much more than a cost of living problem because until quite recently no definite and competent program for dealing with it has been undertaken. The fact that the Government and the Nation have drifted without admitting that there was an industrial situation which ought to be studied and remedied as quickly as conditions would permit, not unnaturally established in the minds of the working classes, many of whom were suffering real hardships because of high and advancing prices, a feeling that now that the war was won and over, their condition and needs had ceased to be a matter of national concern. As a result the war has left us not only with a cost of living problem, but also with the problem of restoring the faith of the average working man in the disposition of the country at large to concern itself with his welfare.

It is time, therefore, that earnest thought should be given to the present industrial unrest. Something must be done to help labor meet the cost of living problem, but beyond that something substantial must be done to put labor in a better frame of mind on the larger question of its future economic position. We need a constructive policy in labor matters. Labor should be given an objective — an attractive objective—toward which to work in order that hope and contentment, as well as wages, may be its portion in American industry.

HIGH COST OF LIVING

So far as the unrest in the United States is economic in character, the high and rising cost of living may be said to be the chief source of irritation. During the war the acute situation produced by rising prices was endured on the whole with fortitude and patience, because, it was said, "We are at war," and in the confident expectation that the war would be brief and that the close of hostilities would bring a lower level of prices and a great and progressive improvement in the cost of living situation. As a matter of fact, barring the first months following the armistice, the price situation as it affects the cost of living (that is to say, the prices of articles of general consumption such as food, clothing, fuel, light and housing) has grown worse instead of better.

Why is this? What is it that is keeping prices up? These questions must be answered before the real nature of the cost of living problem can be understood and a solution undertaken.

In general, the answer is that the continuance of many of the influences that raised prices during the war is responsible for the continuance of high prices after the war, with a new aggravation added in the shape of profiteering.

PROFITEERING

The extent to which profiteering, that is to say, hoarding and speculative holding of goods for a rise of prices, is responsible for recent price advances in the United States is not, of course, a matter that can be statistically determined. It is, however, a matter of wide-spread belief, supported in part by official investigation of the practices pursued by certain industries since the armistice, that prices of many articles of ordinary consumption are appreciably higher than economic conditions warrant. The recent declines of retail prices in several lines confirm this impression. Some mitigation of the cost of living situation may be expected from the elimination of control of profiteering practices, but it seems not improbable that when all is accomplished that can be accomplished through investigation, publicity and prosecution, to effect a reduction of prices, the country will still be left with a price situation which will be far from satisfactory and which will indicate that the causes of the high cost of living which have got to be reached in order to solve the cost of living problem lie deeper.

Indeed, the increase in profiteering itself is a thing which needs explanation. After all, why is there so much more profiteering than ordinarily? Profiteering is an old instinct of human nature. Cupidity or the desire to make all the profit that can be made out of a situation by pushing prices to the limit of endurance is no new trait of man. Human nature has not been changed in this particular by the war. The war has simply afforded an opportunity for a more active and aggressive assertion and play of certain human traits.

The seller has always sought to get for his goods all the money that he could. The buyer has always sought to get for his money all the goods that he could. As a rule, buyer and seller are matched in intelligence, acumen and intensity of desire. From their action there have usually resulted prices that could properly be regarded as the outcome of market competition. Sometimes, however, conditions are such that a buyer is in the position of vantage; for example, when the outlook indicated that prices would fall. There are other times when the conditions are such that the seller is in a position of vantage; for example, when the outlook was for a rise of prices. It is rising prices which induce hoarding, speculation and profiteering. Ordinarily, buying for a rise in such circumstances undoubtedly tends to accelerate or aggravate the rise of prices. But it is always a question whether speculation and profiteering are more the cause of high prices than they are the effect of high prices.

When all is said and the greater economic truth is stated, the fact is that prices make themselves far more than they are made. Profiteering has flourished in the United States and elsewhere in recent years because the price situation has been favorable to it. The profiteer is a creature of conditions. He does not make conditions, though he frequently does much to make them worse. Like the poor, the profiteer is always with us, ever ready to go when the going is good. To say that prices are high because of profiteering explains little, and does not get us far on the way toward a solution of the cost of living.

Our high prices are far more an economic fact than a criminal fact. Their correction will, therefore, be found more through the processes of industry than through the processes of the courts. Prosecution of profiteers will do something; it is to be hoped will do much to improve the situation, but prosecution of industry will do more. Prosecution of profiteers may lower prices, but it will not produce goods. What is most wanted at the present juncture is not alone lower prices, but more goods at lower prices. So far as the price problem has given rise to a cost of living problem it is mainly a problem in production. The causes of the existing situation are mainly economic and the remedies must, therefore, be mainly economic.

WAGES AND PRICES

Much the same may be said of wages as a cause of the high cost of living. There is a good deal of misapprehension particularly among employers of labor of the relation between wages and prices. Looked at from the point of view of the individual employer of labor wages is an element of expenses of production which regulate the price which must be received for the product if the business enterprise is to succeed. It is not surprising, therefore, that the employers who ordinarily reason from wages to prices, should conclude, when both prices and wages are rising, that prices are rising because wages are rising. There is, however, little foundation for this view of the connection between high wages and high prices, looking at the matter as an economic condition rather than a business condition.

When are wages high? The employer does not employ workmen and pay wages for the fun of it.

He employs men and raises their wages only as it pays him to do so. It pays him to do so when prices are rising and profits are following in the wake. High wages are rather, therefore, the resultant of rising prices than the cause, and there is far less of a vicious circle in the relation of wages and prices than is currently alleged. As a general proposition the economic sequence which results in high wages may be stated briefly as follows: Brisk trade, intensive demand for goods, rising prices, increasing profits resulting in increased demand for labor and rise of wages. This sequence, I think, represents the approximate relationship between the movement of prices and the movement of wages in the United States during the years 1914 to 1919.

Both prices and wages (which are the price of labor) have risen from the same general causes. They do not explain one another. They are not themselves, either one or the other, a primary cause, but the effects and the expression of fundamental forces governing

1. The money and credit demand for goods, and
2. The supply of goods.

WHAT HIGH PRICES ARE DUE TO

The more the matter is studied, the clearer it is that the high prices which developed with the European war in 1914, and which are still with us as a heritage of the war, are simply to be regarded as an extreme case of the working of the old-time economic law of demand and supply. In the United States, as the world over through the past five years, intensified demand (credit as well as economic demand) for goods and an inadequate supply of goods have put up and kept up prices and given us the acute cost of living situation so widely complained of.

Turning, then, to the major influences in the price changes which have taken place in the five years, there are three that stand out conspicuously. They are:

1. The excessive demand by belligerent governments for war supplies both before and after our entry into the war.

2. The excessive expansion of banking credit.

3. Shortage of supplies in many lines, due to

(*a*) Wasteful consumption and loss of goods;

(*b*) Heavy loans of capital and exportations of goods, and

(*c*) Slackening of production.

Taking the five-year period, 1914 to 1919, as a whole, the most persistent single influence affecting prices has been the expanding state of credit.

Taking the period before our entry into the war the enormous demand of Europe for American war supplies, aided by easy credit conditions in the United States, was the most important influence affecting prices.

Taking the period since our entry into the war, a factor of equal importance with those already enumerated was the inability of our industry immediately to reorganize itself to meet the vast requirements of the Government for war supplies of one kind or another for the use of its armed forces. Coupled with this and aggravating the situation was the heavy drain of goods from the United States for the use of the Armies and the civilian populations of the nations with which we were associated for which no goods, at any rate in anything like an equivalent amount, were received in return.

Taking the most recent period, the fiscal year 1919, which includes eight months following the armistice, the active and immediate causes of rising prices are the greatly increased shipment and sale of merchandise on credit to Europe, particularly foodstuffs and manufactures ready for consumption, slackening of production, diminished economy of consumption and, as already noted, profiteering and the speculative holding of goods for a rise.

CREDIT EXPANSION

The form that credit demand (and expansion) has taken in the United States has been banking credit in the shape of bank deposits. Expansion of the currency has played a very subordinate rôle. It is no exaggeration to say that expansion of the currency has been a consequence rather than a cause of our high prices. Wholesale prices began to rise sharply in the United States with heavy demands for our goods from Europe shortly after the beginning of the war in 1914. Credit was expanded to meet the requirements of export industries. Prices at wholesale rose and kept on rising. Retail prices had to follow suit, and thus there was called into existence an increased amount of pocket money to accommodate the needs of the community.

So far as the expansion of the purchasing medium of the country is responsible for our great rise of prices, it has been and is purchasing medium in the form of bank deposit credit and not in the form of the Federal Reserve Note.

Commercial bank deposit credits in the United States have increased from $16,264,000,000 to $30,099,000,000, an increase of about 85 per cent., between the dates of June 30, 1914, and June 30, 1919. Loans, discounts and investments of the same institutions have increased in the same period from $15,819,000,000 to $29,765,000,000, or about 88 per cent. A large part of the increase in the loan and investment account is made up of war securities and war loan paper. This is estimated to amount to as much as from six to seven billions of dollars.

Treasury needs have been the chief factor in our credit expansion. The situation of the United States obliged the Government to borrow money faster than the rate of saving of the community could sustain. The result was reliance on banking credit to make up the deficiency; and thus the resulting rise of prices may be described in its economic effects as a method of forcing economy and saving on the community, or large sections of the community, because most people buy less and consume less as prices rise.

As the present volume of undigested Liberty Bonds is absorbed out of savings, the investment account of the banks which is now swollen because of the large amount of war securities they are carrying will diminish, and with the diminution will go a decline in the volume of bank deposits, following which will come a decline in the volume of currency in circulation. Prices will then fall and the cost of living decline.

Working to the same effect in bringing about a lowering of prices will be the expected diminution in the rate at which the United States have been exporting goods to Europe on credit. The large volume of exports we have been sending out of the country in excess of what we have received as imports has been one of the great determining factors in our rising cost of living through the last five years and especially in the last year.

HEAVY EXPORTS TO EUROPE

A comparison of our export trade for the five years since the beginning of the European war, and particularly the period following our entrance into the war, with conditions in the five years preceding the breaking out of the European war yields some very instructive results.

Our exports of domestic merchandise for the years 1910 to 1914, inclusive, amounted to $10,652,143,234, or an annual average of $2,130,428,-647. For the five years, 1915 to 1919, inclusive, our domestic exports amounted to $26,128,183,680 (an annual average of $5,225,636,736), of which $19,139,827,636 represents export of domestic merchandise for the years 1917, 1918 and 1919, and $7,074,011,529 domestic exports for the last fiscal year, 1919. Our average annual exports for the five years from the beginning of the war exceeded our average in the earlier period, 1914 to 1919, by $3,095,208,089, or 145.3 per cent. For the three-year period since we entered the war the amount by which exports exceed those which were normal before the war is $4,249,513,898, or 199.5 per cent. For the last fiscal year, 1919, the excess is $4,943,582,-882, or 238.2 per cent.

These comparisons are made on basis of our customs house reports and do not include exports made by the Government itself, which constituted a very important addition to our exports in the period since we entered the war. Government exports have been estimated as high as from 30 to 35 per cent. of the exports regularly reported by the customs house. Some indication of their volume is given by the returns of the aggregate weight of army shipments for the period of June, 1917, to October, 1918, of 4,897,600 short tons, and of navy shipments for the period May, 1917, to December, 1918, inclusive, of 1,090,724 net tons.

Of equal significance with the increase of the totals of our export trade in the last five years are figures indicating changes in its composition. Grouping our exports into six great groups, we have:

1. Crude materials for use in manufacturing.
2. Food-stuffs in crude condition and food animals.
3. Food-stuffs partly or wholly prepared.
4. Manufactures for further use in manufacturing.
5. Manufactures ready for consumption.
6. Miscellaneous.

We find that while the first named group, crude materials for use in manufacturing, constituted an average of 33.1 per cent. of our annual exports in the five year period, 1910 to 1914, it fell to 14.89 per cent. in the five-year period, 1915 to 1919. The second group, food-stuffs in crude condition and food animals, rose for the same period from 5.94 per cent. to 9.62 per cent. The third group, food-stuffs partly or wholly prepared, rose from 13.84 per cent. to 18.11 per cent. The fourth group, manufactures for further use in manufacturing, held its own, being 16.04 per cent. in the earlier period and 16.69 per cent. in the latter period. The fifth group, manufactures ready for consumption, rose from 30.71 per cent. in the earlier period to an average of 39.49 per cent. in the latter. The sixth group, miscellaneous, rose from .37 per cent. in the earlier period to 1.20 per cent. for the latter.

It must be admitted that the comparisons just made for the purpose of showing the increase in the export trade of the country give an exaggerated and distorted view of the export trade as it bears upon the cost of living situation because the volume of our exports is stated in value, not in quantities. The great rise of prices has reflected itself, of course, in a rise in the money value of our exports far in excess of the growth in the physical volume of exports. It nevertheless appears that when the price factor is eliminated in estimating the growth in the volume of our exportations, the quantities of goods we have sent overseas in the past five years are so largely in excess of what was our customary pre-war normal as to constitute a serious deduction from the goods left in the United States available for domestic consumption. For the fiscal year 1915 our exports by quantities show an increase over the average exportations by quantities for the years 1910 to 1914 of about 25 per cent.; for the two-year period embracing the fiscal years 1916 and 1917, an increase of over 20 per cent.; for the fiscal year 1918, an increase of 9 per cent., and for the fiscal year 1919, an increase of 35 per cent. It is notable that the year which shows the heaviest increase of exports was the last fiscal year of which eight months followed the armistice, and that 35 per cent. of our exports in this year consisted of food-stuffs.

REMEDYING THE COST OF LIVING SITUATION

Under this view of the causes of our present difficulties, it is clear that there can be no short-cut remedies, and therefore no early prospect of a return to the price situation we had before the war in 1914. Prices may be expected to decline, but the more than one hundred per cent. advance which they have scored in the past five years will not be retraced short of at least a similar period, if not, more likely, a period of ten years or more. The most considerable relief in sight may be expected to come with diminishing exportation of food-stuffs and other articles of general consumption to Europe with the termination or, at any rate, reduction in the volume of the credits which Europe has had at its disposal in the American market during the past two years. Food should certainly become cheaper, and so far as food is the most important item making up the budget of the working classes, there should be an appreciable diminution in their cost of living and the cost of living problem therefore find some considerable solution in this way.

The ultimate and complete solution, however, will come only as the volume of purchasing media created in the last five years is reduced and the volume of goods produced is increased. This solution, however, will take time, and in the interim we shall continue to have a more or less acute and troublesome cost of living problem. Some method of dealing with it in a practical manner is, therefore one of the first and necessary steps to be taken toward the revival of industry in the United States and the improvement of the industrial situation generally. Until some satisfactory method of dealing with the wage problem as it has been affected by the rising cost of living is worked out there will be unrest, industrial strife and retardation of the processes of industrial recovery that will be costly in their effects to the nation and costly to the world. The one thing that the United States cannot afford at this time is suspension of industry through failure to establish a good working relationship between employers and employed. Some acceptable method of adjusting wages to changes in the cost of living is an obvious first requisite in dealing with the cost of living problem.

While wage earners as a class have not been the only sufferers from the rising cost of living, their ranks undoubtedly embrace a larger number of sufferers than any other class of income receivers. In its most acute form, therefore, the cost of living problem is a labor problem and a wage problem. The problem is partly one as to facts, and partly a question of remedies. Have the great mass of those who are dependent on wage income been compensated for the rising cost of living by commensurate increase of wages? This is the aspect of the cost of living problem that is exciting discussion and unrest in the United States at the present time. This is the real cost of living problem. Besides this, there is an imaginary cost of living problem and a pretended cost of living problem which must be sharply distinguished from the real cost of living problem.

There are a good many people who imagine they are suffering unwarrantably from the advance of prices. For the most part they are those whose incomes in the forms of wages and salaries have risen sufficiently, and in many cases more than sufficiently, to offset the rise of the prices of the things that constituted their customary consumption in pre-war days. Increase of money income usually produces a feeling of prosperity even when it is a fictitious prosperity. Many wage earners getting a bigger pay envelope think themselves better off irrespective of the fact that the purchasing power of the dollar has declined in substantially the same ratio as their wages have increased. People in this position are frequently tempted to extravagance. The man who five years ago received a salary of four or five dollars may now be making eight or ten dollars. He is apt to imagine himself rich in consequence and probably is spending a considerable part of his increased money earnings for things that formerly constituted no part of his normal consumption. The retail trade everywhere reports heavy purchases of cheap jewelry, fancy clothing and the like. It is a matter of common observation and remark that no line of business has experienced a brisker demand for its output than the automobile trade and the trade in automobile accessories. Spending heavily on purchases of this kind, the margin that is left over for the purchase of necessaries and real conveniences of life is inadequate at present prices to maintain customary standards. Those who are victims of their extravagance and foolishness then complain that they are suffering from the high cost of living, when the cause of their difficulties is the change in their standard of living. It may be right that the standard of living should be raised, but it does not induce clear thinking, but merely confuses the issue, not to note the distinction between the real and the fictitious problem. It is the real cost of living problem that concerns the nation at this time.

Unfortunately our sources of statistical information are not yet such that comparisons can be made on an extensive scale between the incomes of different groups (by income) of the wages-receiving class and the prices of the articles that go to make up the customary consumption or normal standard of living of the several groups. What is needed for this purpose is

1. A cost of living index, which shall carefully exhibit and measure changes in the cost of living to labor classified by income groups, and

2. A wage index, which shall exhibit and measure changes in the wage income of these different groups such as will enable a comparison to be made for the purpose of determining whether wages are keeping pace with prices.

The United States Bureau of Labor Statistics has undertaken some important work in this connection which, as it is carried to completion, will yield results which will be of highest usefulness. Among other things, the investigation has been planned for the purpose

(*a*) Of determining the cost of all important items of family consumption in all the more important centers of industry in the United States;

(*b*) Of enabling the Bureau of Labor Statistics to compute a cost of living index number that will show variations in total family expenses in the same way as its retail food price index now shows variations in the cost of the family food budget; and

(*c*) Of formulating eventually tentative standard budgets to be used by wage adjustment boards in determining minimum and fair wage awards.

The statistical services of some of our States are moving in the same direction. Until the data developed through these sources are available, it will be premature for anyone to venture an authoritative pronouncement upon the relative trend of wages and the cost of living in recent months or years for American industry as a whole.

Such statistical data as are available show that food constitutes from 35 to 45 per cent. of the total expenditure of typical wage-earning families consisting of parents and three children under fifteen years of age. The percentage spent for food is larger in the lower income groups, but the amount spent for food is larger in the higher income groups. Food prices show an increase of 91 per cent. for the six-year period from May 15, 1913 to May 15, 1919, the increase for the single year 1918 to 1919 being 27 per cent., and for the month April 15 to May 15, 1919, 2 per cent. Clothing makes up from 15 to 20 per cent. of the expenditure of the average wage-earning family, the increase in cost of clothing computed from the index number of wholesale prices as compiled by the Bureau of Labor Statistics being about 150 per cent. to June, 1919. Rent makes up from 9 to 15 per cent. of the expenditure of the average wage-earning family, but no satisfactory data are available as to the average increase in rents. But it is a matter of common observation and complaint that rents have advanced considerably, especially since the signing of the armistice. Fuel and lighting make up from $3\frac{1}{2}$ to 7 per cent. of working family expenditures, and these items have advanced in price over the 1913 level some 80 per cent. House furnishings make up from 4 to 7 per cent. of expenditure, and have advanced in price since 1913, 131 per cent.

It is clear, therefore, that there has been a very marked advance in the prices of all groups of commodities that make up the consumption of the average working class family. Whether wages have kept pace cannot be determined on a satisfactory scale until the industrial survey undertaken by the Bureau of Labor, and now nearing completion, is completed and the results published. The preliminary report now in progress will present the basic facts concerned, the hours worked and the earnings received, for a large range of occupations. It will supply a basis on which in time may be erected a wage index for all the important industries of the country distributed throughout its length and breadth.

In the meantime the results of the investigation of the New York State Industrial Commission showing comparative index numbers of average weekly earnings in New York State factories and of retail food prices in the United States since June, 1914, are worth noting as of considerable value: For the year 1914 the index number for wages is 98 as compared with 105, for food; for the year 1915, 101 as compared with 102; for the year 1916, 114 as compared with 115; for the year 1917, 129 as compared with 147; for the year 1918, 160 as compared with 170; for the first quarter of the year 1919, 177 as compared with 179. These figures indicate a rise of 16 per cent. in wages for the year 1917, and 6.25 per cent. for the year 1918, with the gap almost closed in the year 1919. This shows the situation in the State of New York. How far it is representative is a question.

Data derived from other sources showing the movement of union wage rates in 19 trades in about 12 cities in 1914, to and including May 15, 1918, yield some interesting results especially in the building trades: Bricklayers' wages lagged 21 per cent., carpenters' 18 per cent., cement finishers' 20 per cent., granite cutters' 18 per cent., hod carriers' 9 per cent., painters' 14 per cent. and plasterers' 25 per cent. The wages of blacksmiths gained 5 per cent., iron-molders 5 per cent., and machine-makers 10 per cent., while boiler-makers lost 5 per cent. Plumbers' and gas-fitters' wages lagged 20 per cent., structural iron-workers' 14 per cent., stone cutters' 18 per cent., compositor's 25 per cent., and electrotypers' 27 per cent. Taking these figures as a whole, they show a considerable lag of wages compared with the advance in the cost of living.

In certain important industries which were stimulated by war conditions a different situation is presented. Real wages in the boot and shoe industry gained 23.5 per cent., in the cotton finishing industry 6 per cent., in the cotton manufacturing industry 13 per cent., in the manufacture of hosiery and underwear 11 per cent., in the silk industry 5 per cent., in woolen manufacturing 9 per cent., and in the iron and steel industry 45 per cent., comparing the closing weeks of December, 1914 with the end of September, 1918.

So far as these data disclose the situation, it must be said that there has been, on the whole, a lack of close correspondence of changes of wages with changes in the cost of living. In many cases wages have lagged, in other cases they have overtaken and outrun the rise in the cost of living. There has been no general policy, either public or private, governing the action of industry in the matter of wage adjustment to changed living conditions. All sorts of influences have been at work in determining the outcome; the maintenance of the standard of living has not been the controlling consideration. The state of the labor market in different industries has, at times, resulted in increase of wages more than the increase in the cost of living, and at other times wages have lagged. The extent to which different trades were unionized also had much to do with the matter.

These facts and indications, fragmentary as they are, reveal a situation which from every reasonable point of view must be regarded as unsatisfactory. Much as was achieved in certain industries during the war through the action of public or private agency, the maintenance of the standard of living does not occupy the decisive place it should in the determination of wages. Chance and circumstance play too large a rôle, and principle too little. Wages must be regarded as the first charge of industry, and the maintenance of at least those living standards which were customary before the war must be made secure. The first duty of the nation is to preserve the health and strength of its workers. The standard of living is, therefore, a matter of public and national concern as well as of individual concern. The Nation cannot afford, industry cannot afford to run the risk of impairing its working forces through lack of some effective method of adjusting wages to the cost of living. This is, in an immediate sense, the most pressing aspect of the cost of living problem with which we are confronted. Close study should, therefore, be given by different industries in every section of the country to methods of handling the problem in an effective and equitable way. Beginnings have been made in some business and industrial enterprises, but the problem should be taken hold of on a systematic and national scale in order that the needed results shall be achieved. Some mechanism by which wages may promptly be adjusted to changes in the cost of living must be accepted as an essential part of the American wage system. Public sentiment in the United

States is rapidly focusing itself upon this principle, and the employer who attemps to escape it, or resist it, is likely to find himself in contempt of public opinion. Such action is particularly urgent in view of the extremely uncertain and disturbed course which prices and the cost of living seem likely to follow for a good many years to come, or until the affairs of the world are once more in a state of settled equilibrium. It will not do to leave the adjustment of wages to changes in the cost of living, either to the slow and uncertain action of the forces of competition, or to the costly and disruptive action of industrial warfare. So far as the strike is a method of securing an adjustment of wages to rising prices it should become an obsolete feature of the American industrial system.