"Price Making in a Democracy"

By Harry Gunnison Brown

(Price Making in a Democracy. By Edwin G. Nourse, Washington, D. C. The Brookings Institute, 1944.)

Something of the point of view of this book is indicated by a question printed in capital letters on its jacket: "How can business leaders save private enterprise?"

The author, Edwin G. Nourse, stresses the desirability of a low-price policy by producers as a means of expanding demand and maintaining employment. There are some comments that suggest sympathy with a policy of paying high wages as a means of insuring a large cash market for the products of industry. "American manufacturers frequently accepted and occasionally even initiated wage scales for unskilled or semi-skilled workers definitely designed to bring the amount of consumer purchasing power into line with the volume of goods which industry was capable of turning out." Here there appears to be an implication that employers as a class gain by paying higher wages than they need to pay, so that employees will have more money with which to buy the employers' output.

But Dr. Nourse's main emphasis is on lower prices to consumers. The argument is (pages 283-284) that if technological progress shows itself quickly in reduced prices, the increased output is accompanied by increased demand and there is rapid re-employment of the labor which had been displaced — or theatened with displacement—by the new and cheaper methods of production.

It is true enough that if technological improvements are effectively monopolized and do not for a long time rebound to the benefit of the public, there is a tendency to unemployment. The maintenance of relatively high prices of such goods, despite new labor-saving methods, means that some of the labor in this line is rendered superfluous. And since there is no saving to consumers, there is no resulting increase of demand for goods of other kinds to employ the displaced labor. This displaced labor can then be employed only by accepting lower wages in other lines than would otherwise be necessary, and making possible lowered prices for the goods of these other lines.

Dr. Nourse is interested, in this study, only in commodity prices. He does not discuss the rent of land, nor the sale of land. He offers no comment on the waste involved in the speculative holding of land out of use. He says nothing that indicates any awareness that in such speculative holding there is something analogous to monopolistic restriction of output, operating in the same way to limit employment unless wage earners will accept the lower wages which measure the lowered margin of production; and this, of course, they are driven to do.

Even though, in the case of almost every separate book written by a professional economist, a plausible reason can be suggested why the land problem and the land-value tax program are omitted, there still remains the question why there so seldom is a place, in the literature put out by professional economists, for a full and frank and objective discussion of this problem and of the merits of this program.

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