THE PRICE IS RIGHT

A widely accepted, but erroneous, idea about prices is the belief that the capitalist, confronted with rising costs brought on particularly by a wage increase, has no alternative but to raise the figures on his commodity, and always, it seems, reluctantly. We are assured by the capitalist press and the pseudo economists that the owners of industry, burdened with their responsibility to the share-holders whose entire savings and heritage, we are told, are often tied up in his enterprise, must pass on increased costs by raising prices.

Modern economists, concerned more with defending the status quo than in exploring the forces and currents that control commodity production, have succeeded in selling this non-sense to the public. They present a simple formula consisting of three parts: 1, Selfish unions demand higher wages and increased benefits. 2, The helpless employer, confronted with the power of organized labor is usually compelled to grant the unreasonable demands. 3, The employer is then compelled to increase his prices to meet the increased costs.

The sufferers, goes the usual argument, are that rather nebulous and ethereal entity labeled the **ultimate consumer.**

Organized labor and the families of its members are seemingly excluded from this exclusive club of suffering **ultimate consumers.** Could it be that the "economists" are convinced that the trade unionists and their families subsist without food, clothing, shelter and recreation? The "ultimate consumers," the ones who suffer from price increases, would seem to be those workers who, whether by choice or not, remain unorganized and who suffer from the depredations of the selfish unionists.

There is something about the theory, however, which does not ring true. If the capitalist possesses the power to raise prices at will, why should he wait for a successful strike before raising them? In fact why should he resist union wage demands and suffer the resulting expense from shut-downs, the hiring of extra guards, newspaper advertising, costly lawyers, and so forth, while at the same time giving his competitors free access to his market? Why does he not simply raise prices without all the rumpus and thereby increase the flow of dividends to those who entrust in his keeping their "life savings?" Even though they are numbered with the "ultimate consumers," their loss when buying would be more than overcome by their added dividends. It would certainly seem that unless he were downright stupid that the capitalist should submit without a struggle to the unions and raise his prices, despite any added hardships to a portion of the population. His prime duty is to his share-holders, not to mention himself.

There are those who would say, by way of rebuttal, that moral and ethical considerations deter the capitalist from exercising this price-raising power of his, at will. He is pictured as a man of good will. He is charitable and a pillar of his church. He endows temples, teaches bible classes, and addresses at their luncheons such service clubs as Rotary, Kiwanis, Optimists and Lions.* He is in business primarily to render a service and only raises prices when unions run amok. Yes, there is indeed a service which motivates his business activity. It is closely related to the service rendered by the farmer's bull to the neighborhood cows. This is the service that society receives from the capitalist class.

THE WILL WEAKENS

The New York Times of 11-13-60, observes that: "A major increase in wages is to take effect in the steel industry. The agreement that ended the 116-day strike goes into effect Dec. 1 for a 9.4-cent hourly increase. Will this trigger a chain reaction?" The chain reaction, according to the myth would be: 1, commodity prices are based on steel prices and 2, steel prices will be raised as the result of the wage increase.

We suggest that the price of steel should rise now, if the capitalists really are endowed with the magical power to raise prices. But the Times divulges the information that "one steel company president confided that, despite the major increase in wages, there won't be any price increases." Why will the steel executives forego their mystic power to raise prices? A quote in the same article by a steel executive informs that: "We're in business to make a profit, otherwise we might as well close up and go home." It just doesn't make sense. One would imagine that raising prices would certainly do wonders in making profit.

Could the above quote be from the exceptional executive? Have these square-jawed, hard and relentless sons of Vulcan undergone a change of heart? Have the "We're not in business for love" gentry been converted into men of good will? Have they gotten religion or been affected by the Bible classes that many of them teach?

On July 1, 1958, a wage increase went into effect in the steel industry. Immediately, Alan Wood Steel Co. announced it would increase prices by $6.00 a ton, and a furor was created in the steel industry because U. S. Steel traditionally has set the price pattern in steel. Would Big Steel go along? The answer was "no." Two weeks later Alan Wood backed down. At that time, steel was operating at 51% combined with a glutted market and foreign competition. The spectre of substitutes was the factor that prompted "the power to raise prices at will" to fly out the window. The New York Times asks: "Will an increase in steel prices follow hard on the heels of the coming wage increases? A majority of the Steel industry think not."

MYSTICISM IN BOURGEOIS ECONOMICS

Why will there be no price increase despite the large wage increase in steel. The answers are many: steel production is at 37% of capacity and the Times states that "the market is soft," which is double talk for **business is lousy.** "The order books do not portend any price increase," it continues. "In fact steel companies are making price concessions to sustain existing markets." Making price concessions is a euphemism for **price cutting,** a tactic directly opposite to that which is supposed to follow wage increases. "Though the buyer is charged the current price per ton, the companies are absorbing more and more freight charges, overlooking certain extra charges and selling steel at off-grade prices."

Thus does the Times abandon the capitalist pseudo economists to the wolves of Marxism. Presenting a few hard facts, America's largest capitalist daily newspaper leaves a well-founded suspicion that there are forces at work in modern society that create inexorable laws which can provide the only scientific explanation for the gyrations of commodity production. Understanding can be found not in the world of metaphysical apologetics but in the cool, scientific world of Marxian economics. The capitalist proceeds with caution before raising prices if market conditions are unfavorable. Moral and ethical considerations play no part but increased competition and the fear of substitutes that may kill his own commodity certainly do. Steel is fully aware of the substitutes which eagerly await the opportunity to graze in its lucrative fields: plastics, glass, wood, bricks, cement, aluminum and other metals. The container market, for example, is one that aluminum and other products yearn for. A rise in the price of tinplate and we will be drinking beer from aluminum cans.

On top of this, the Times reports that "an increase in prices invites greater imports of steel. Any time foreign producers want to undersell us they can do so easily. Given all these factors steel executives have adopted a fatalistic view of the price outlook. U. S. Steel Chairman Roger Blough states that a total competitive and market situation must be weighed in making a decision."

In the face of all this, it is only

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* See article in this issue entitled: "Executive Suite."