

AN INTRODUCTION
TO THE STUDY OF PRICES



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AN INTRODUCTION
TO
THE STUDY OF PRICES

BY
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AND
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PREFACE

THE first edition of this book was published more than twenty years ago as one of a series of textbooks designed for the use of classes organised by the Workers' Educational Association. While making no attempt to deal exhaustively with monetary theory or to compete with more ambitious histories of prices, it sought (i) to give the reader in as simple a way as possible a sufficient background of theory to enable him to understand the causes which determine the purchasing power of money, and (ii) to familiarise him with the actual course of prices since the Napoleonic wars. As its name implied, it was merely an introduction to a subject about which the public was beginning to ask questions because of an upward tendency in the cost of living, and of the industrial friction which resulted from it. The continuous demand for the book on the part of students has shown that the method fulfilled its purpose.

In the meantime, however, the shock of great events has produced price disturbances on an unprecedented scale, which have patently influenced the daily lives of millions, reduced many to penury and distress, and led to social and political upheaval. The problem of the price-level has, therefore, been forced into the very forefront of public controversy, and an exposition of the subject by reference to the slowly moving curves of the nineteenth century has been made to appear very much like *Hamlet* without the Prince of Denmark. Moreover, post-war price movements have been so violent and such radical innovations have been made in currency practice—innovations often too fantastic to be

dignified with the name of currency policy—that it is almost impossible to generalise about the changes of the last decade and a half or to study the long-period trend—if any—that underlies the short-period variations.

It was, therefore, a question whether any good purpose would be served by building on the old foundations or whether the subject should not be approached entirely afresh from the point of view of the present day. But to write an adequate history of prices since the war would be a laborious task which cannot be undertaken in odd moments snatched from other duties; and in any case, conditions have been so abnormal that the facts of the last decade are not in themselves good material on which to found an exposition of the causes underlying price changes.

On the other hand, an unambitious account of price movements and of monetary experience since the war, presented against the background of nineteenth-century experience, may prove of real value, by bringing our present problems into perspective and relating them to secular economic trends. This matter of perspective is forcibly illustrated by the main chart at the end of this book, which has been reproduced on the same scale as in the original edition, but brought up to date. The reader who retains in his mind a visual picture of this price curve will have acquired a permanent impression of the scale and tempo of the price problem with which the present-day world is faced.

It was, therefore, decided to revise the book and bring it up to date by additions conforming as far as possible to the original plan. On the theoretical side, a simple exposition has been given of the problems raised by inconvertible currencies and fluctuating exchanges (Chapter V), while historical chapters (Chapters X and XI) have been added on the model of the original book dealing with war and post-

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war prices. The chapter of general conclusions (Chapter XII) has also been entirely recast. The scheme is obviously patch-work, the joints of which will be evident to the reader; but it is hoped that what the new edition loses in artistry it may gain in objectivity.

As the additional chapters are almost entirely the work of my colleague, Mr. Geoffrey Crowther, his name has been added to the title-page. Mr. Crowther has also revised and prepared the whole of the text and Appendices for the press. For the opinions expressed we assume joint responsibility.

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W. T. L.

October 17, 1934

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