of a given commodity is to be sold at a certain price, then will all the portions of that commodity, sold at the same time, be sold at that price, whatever the degree of utility which may accompany each such portion. If I buy a quantity of food for my own consumption, I do not pay for that part which would suffice to keep me alive, a price such as I would pay, were it necessary, to be saved from starving; for another part of the food, a price corresponding to the discomfort and dissatisfaction I should feel in being insufficiently nourished; and, for a third part a price corresponding to the pleasure of ample and generous sustenance. I pay one price for the whole, the same for every equal part. That price measures the final utility of the food to me: that is, the utility of the portion at which I cease to buy, the portion beyond which I would as soon keep the price in my pocket as have more of the food.

Prof. Jevons states the case thus: "When a commodity is perfectly uniform or homogeneous in quality, all portions may be indifferently used in place of equal portions; hence, in the same market, and at the same moment, all portions must be exchanged at the same ratio. There can be no reason why a person should treat exactly similar things differently, and the slightest excess in what is demanded for one over the other, will cause him to take the latter instead of the former. In nicely balanced exchanges it is a very minute scruple which will turn the scale and govern the choice. A minute difference of quality in a commodity may thus give rise to preference, and cause the ratio of exchange to differ. But when no difference exists at all, or when no difference is shown to exist, there can be no ground for preference, whatever."

**133. What Constitutes an Economic Difference?**—In the foregoing paragraph, Prof. Jevons speaks of commodities between which no difference exists. Of course there are no two articles in the universe precisely identical. What Prof. Jevons means is that there may exist no difference, as viewed by the would-be purchaser, with reference to some use to which the two commodities may be put, which use two commodities, apparently varying in many respects, may indifferently serve.



And it is to be noted that the existence or non-existence of an economic difference, will depend on the quality of the individual exchanger, on the purpose he has in view, on the scale of his transactions, and on other causes. Thus, a large dealer in poultry may buy five hundred pairs of chickens, in gross, only satisfying himself by a rapid examination that none fall below a certain standard as to size and condition. His customers, however, will inspect the individual fowls, with the greatest carefulness, and will perhaps be determined in their choice by considerations the most minute, and, possibly, whimsical. In the same way a wholesale lumber merchant may buy, in gross, a large amount of stock at a uniform price, and a half dozen of his customers may the next day go through his yards, each taking out, by preference, a certain portion as peculiarly adapted to some job of work he has on hand.

The fact that several commodities have a generic name in common does not constitute them the same articles for the purposes of exchange. Thus, corn is not sold in the Chicago market as corn, but as corn No. 1, or corn No. 2. Spring and Winter wheat never bring the same price; they are not one kind of commodity, but two, and a reason for a preference between them always exists.

The proposition we are considering further requires to be modified with regard to the obstacles to exchange, the ignorance or indifference of exchangers, etc. The consideration of these causes, as qualifying the principle that there can be but one price for any commodity, in the same market, at the same time, will be more conveniently postponed to the title (par. 149) The Friction of Retail Trade.

**134. What is a Market?**—Many definitions have been given to the word, market. As I apprehend it, the term, in political economy, should have reference, first, to a species of commodity; secondly, to a group of exchangers.

In this view, there is no market which is a market indistinguishably for all or for several commodities, as for tea, iron, cotton and wheat; but there is a market for each commodity, by turns, as a market for tea, in which tea is bought and sold;

a market for iron, in which iron is bought and sold. Thus, there are as many markets as there are separate commodities.

Secondly, a market embraces all those who contribute to the supply of or the demand for a given commodity in any place. Hence, all those who are ready to buy of or sell to each other belong to the same market, no matter where they live.

I say, who are ready to buy of or sell to each other. It does not follow from this that all who in the same place are buying and selling the same article belong to the same market. Thus, suppose there are in New York five importers of tea, fifteen wholesale dealers in that article, a hundred retailers, and a half million consumers. All these do not belong to the same market. The importers of tea and the wholesale dealers constitute one tea market, the wholesale dealers and the retailers constitute another tea market; the retailers and the domestic purchasers constitute still another tea market. There are as many markets as there are groups of exchangers. In the case supposed, there are three tea markets; each has its own group of buyers and sellers; and in each of the three, at any time, tea is sold at a price different from that at which it is sold in any of the others. Thus, the price for precisely the same sort of tea, in the market made up of importers and wholesale dealers, may be $1.00; in the market made up of wholesale dealers and retailers, $1.10, and in the market made up of retailers and domestic purchasers, $1.25.

Hence we see that, without such a definition of the word market, it would not do to say that there can at any time in any market be but one price for a given commodity. There is never a day, in any great mart, when tea, iron, wool, wheat, or what not, is not selling at several different prices, it may be in the same street.

**135.** But while within a great mart there may, thus, be many markets, any one of these markets may extend far beyond the limits of that mart. To pursue the illustration already offered, the five New York importers of tea may sell not to the fifteen wholesale dealers of that city only, but to twenty other wholesale dealers in Brooklyn, Jersey City, Newark and other places within a radius of twenty or of fifty miles. A market is thus constituted of the five importers and these thirty-five wholesale dealers. Every one of the latter belongs as distinctly to that market as that one who lives nearest the City Hall, for he contributes as truly to the demand for tea in that market. Again, this body of wholesale dealers, thus re-enforced, may sell not to a hundred but to a thousand retailers scattered throughout all that region. This group of exchangers makes up the market, and not the fifteen wholesale dealers and the one hundred retailers of the city of New York only. These one thousand retailers, again, sell, not to half a million, but to a million and a half of consumers of tea.



All persons whose demand for, or whose supply of, a commodity goes to make up the aggregate demand for or supply of that commodity, in any given place, and hence to affect the price of that commodity in that place, belong to the same market.

**136.** But it may be said: this would make the whole world belong to the same market, and would, hence, take all significance out of the word. By no means. In the market which is made up of the five importers of tea, all perhaps having warehouses on one wharf in New York, and the thirty-five wholesale dealers of the surrounding region whom they supply, the price of tea will not, probably, be appreciably different from that which is paid in the market made up of the four Boston importers of tea and the twenty-five wholesale dealers who buy of them. If, for instance, the New York price were to be lower than the Boston price, the New York importers would begin to offer their stock in Boston, to get the advantage of the higher price there prevailing, and would hence contribute to the supply of tea there, and hence would come, so far forth, and for the time, to belong to that market.

But, in the market constituted of the wholesale dealers and the retailers of tea in and around New York, the price of tea may be one or two cents lower than in the corresponding market around Boston, without any of the New York wholesale dealers sending their stocks to New England, or any of the New England retailers coming to New York to take advantage of the lower price.

In the market constituted of the retailers and the domestic purchasers of tea, far wider differences may exist. The price of the same quality of tea might be, and might long remain, five or ten cents higher in the grocery stores of Newark than in those of Worcester or Nashua, without a single New England grocer going to Newark to retail his tea, or a single Newark householder going to Worcester or Nashua to lay in his year's supply.

I repeat my proposition : all those persons who contribute to the general demand for any commodity, as felt in any place, or to the supply of that commodity there available for purchase, and who, hence, serve, as buyers or as sellers, to affect the price of that commodity in that place belong to the same market.

**137. Normal Price.**—If there were a good market for any given commodity, *i. e.*, if competition were perfect ; (1) if there were no large stock of that commodity, but it could be produced freely and equably throughout the year, as wanted ; (2) if the demand for it were uniform and strong, about the same quantity being required for use in every equal period of time ; (3) if no large "plant," or machinery, or great amount of capital in other forms, were required for its production ; (4) if the producers of that commodity had an easy resort, or economic escape, to occupations in which other commodities were produced, and if, in turn, producers in other occupations could readily and successfully take up the production of the commodity in question, then the price of that commodity would, at any time, be close to the cost of production. *By cost of production we are to understand, not the average cost of the whole supply, but the cost of that part which is produced at the greatest disadvantage.*

That price would express the Final Utility of the commodity in question, that is, the utility of the portion which, at the price, it was just worth the consumer's while to purchase. That price would also express the sum of the efforts and



abstinences of those producers who brought forth this commodity under the least favorable conditions, of all who contributed to the supply. Inasmuch as this price is to be paid alike by all purchasers of this commodity, it follows that those who have produced it under more favorable conditions* will obtain a remuneration which will represent more than the sum of their individual efforts and abstinences.

A price which corresponds closely to the cost of production may be called Normal Price.

**138. Market Price.**—Inasmuch as the conditions recited in the foregoing paragraph are never fully realized, there is for every commodity, in every market, a Market Price which differs more or less widely from the normal price.

This market price always measures the Final Utility of the commodity, that is, the utility of it to the last purchaser to whom it is just worth while to buy of it, at that price. Otherwise, that person would either not buy, which, by leaving a portion of the supply untaken, would determine a new and lower price, at which he or some one else would buy ; or, he or some one else would buy more of it, which, by adding to the demand, would determine a new and higher price.

But while market price must always measure the utility of the commodity to the last purchaser, that is, the person to whom it is just worth while to buy at that price, market price does not always measure the efforts and abstinences of the last producer, that is, the person producing under the greatest disadvantage : to whom, therefore, it is only just worth while to produce at that price. It is in this latter respect that market price differs from normal price.

**139. Relation of Market Price to Normal Price.**—The causes which make market price differ from normal price are various. The illustration of them might be extended indefinitely. They may be grouped as follows :

I. The existence of a stock. For the purpose of exhibiting in its simplest form the operation of supply and demand,

* When we reach the department of Distribution, Part IV, we shall give the generic name of Rent to this excess of price over cost of production.

I took an article of which, it was assumed, no considerable stock existed at any time. The seaweed was supposed to lie in vast deposits on the shore, and to be got out (produced) as required. This is a condition which tends to keep market price close to normal price. In the case of most commodities, however, a considerable stock always exists: a fact which profoundly influences market price.

The existence of a stock is determined by various causes. In order that there may be grain to form the food of the long winter and early spring, seed must have been sown and the growing crop cultivated months previous. In order that there shall be a supply of wool in the market, sheep must have been bred years before. Many commodities make no such requirement. In order that there may be grain, the processes of production must have been begun months back; but, given grain, it is only necessary, in order to have bread, that the miller should have a day's notice, and the baker time to heat his oven. Hence, with an immense stock of grain, amounting to thousands of millions of bushels, there may be but a small stock of flour, of which only a minute fraction will, at any time, be in the form of bread.

**140. Distinction between Stock and the Supply.**— The stock of any article in existence, at any time, must not be confounded with the supply of that article, considered as a commodity in the market.

By the word supply, we express the quantity of a commodity offered at any given price. At one price the supply may be but a small fraction of the stock. At successively higher prices, larger and larger portions of the stock would be offered, that is, would come to constitute the supply — until a certain price would take off the entire stock.

Indeed, the supply may even become greater than the stock, under a highly speculative organization of trade. Thus, in the grain or cotton market, or in the market for railway shares or government bonds, brokers daily offer to sell and contract to deliver vast amounts of the several commodities in which they deal, of which, perhaps, they possess little or none at all.



Sometimes it happens that those who are offering such commodities are entrapped* by a combination of purchasers into contracts to deliver, on a certain day, more than the entire quantity within reach, or even in existence. In such a case, the supply is still the amount offered at the price. This it is, and not the stock, which, taken in connection with the demand for the commodity, determines the price.

**141.** The necessity in some cases, the usage in others, of meeting the demand from a stock, and not out of daily production, causes market price to diverge from normal price, through excess or deficiency of production.

In order that there may be wheat, three millions of persons, more or fewer, in the United States, plant the grain many months previous to the anticipated consumption of the wheat by the miller and the baker. These persons break up the land and sow the seed without mutual understanding as to the extent of their operations. Each is governed by a notion, more or less vague, as to the probable demand for wheat. It is not at all a matter of certainty that the mistakes in calculation of one farmer will offset those of another. On the contrary, there is a strong tendency in the errors of producers to accumulate all on one or on the other side of the line of equable production.

If the price of wheat, owing to a deficient supply, has been high, almost all producers will be found, the next year, largely planting wheat. This is likely to produce a surplus which will perhaps bring down the price below the average, whereupon farmers, with almost as much unanimity as in the former case, will, the next year, diminish their operations in this direction. Those who are sagacious enough to look about them and say: Others are planting wheat freely, therefore, I will plant something besides wheat, are exceptional. In productive industry it is the rule that men go in droves; act under common impulses, with the result of causing excess and deficiency to alternate with great rapidity and often great violence. And this holds good, not alone of persons in the

* This is called a "corner."

lower departments of production. It is almost equally true of merchants and manufacturers and bankers. The select few who have the coolness and the sense to buy when others are most eager to sell, and to sell when others are most eager to buy, reap rich harvests of gain.

**142. Substitution of one Commodity for Another in Use.** —The influence upon price of an excess or deficiency in the stock of a commodity may be greatly diminished through the tendency to substitute one article for another in use. Thus, the cereals are, to a great extent, substituted for each other in use; one kind of meat for another,* and even bread for meat, or meat for bread, in the case of a marked deficiency of one or the other. If the crop of wheat be short, maize, barley, rye, buckwheat and oats are increasingly made use of as food; with a short crop of all the grains, resort is had to the cheaper kinds of animal food. The result of such substitution is to raise the price of the substituted article, and to prevent the price of the article for which it is substituted from rising as high as it otherwise would. The two commodities are thus, for the time, and in a degree, joined together in price. A mutual dependency is established between them.

**143. Liability to Deterioration.**—The influence upon market price of an excess in the stock of any commodity is greatly controlled by its liability, or non-liability, to deterioration. In the case of some commodities, the variations in price due to this liability are such as to make it appear that price has cut itself wholly clear from cost of production, or cost of reproduction. A commodity exceptionally subject to this condition may lose ten, thirty, fifty, or seventy per cent. of its price in a few days, or even in a few hours. Thus, in fish markets, the price of a fish might have been a shilling when the market opened at 5 o'clock in the morning, eightpence at 10 o'clock, sixpence by noon, while at three or four

* "We must, in fact, treat beef and mutton as one commodity of two different strengths, just as gold at eighteen carats and twenty carats is hardly considered as two, but as one commodity, of which twenty parts of one are equivalent to eighteen of the other."—Jevons—"The Equivalence of Commodities."



o'clock in the afternoon one could have it on his own terms. In the same way, strawberries are often sold on Saturday night at one-half or one-third the price of the morning.

The necessity of storage, in the case of a postponed sale, has often the same influence on the price of a commodity as liability to deterioration. The dealer, not having facilities for storing his stock, may be disposed to let it go at a very low price.

**144. II.—Organization of Industry and Existence of Plant.** —A second cause which makes market price differ from normal price is found in the organization of industry and the existence of machinery and "plant."* It was to get rid of this cause that, in our extended illustration of the influence of supply and demand upon price, we took a simple "extractive" industry, the gathering of seaweed along the shore, which could not be supposed to involve the use of numerous or expensive instruments, or the exercise of much skill, and that we assumed the persons so engaged to be in a position readily to turn themselves to tillage or the fisheries, in case of a falling off in the demand for seaweed.

**145. III.—Customary Price.**—Another cause which makes market differ from normal price, is the force of custom. We owe the existence of a customary price, in some things, to the power of public opinion, which determines that there shall be a stated, well-known price for certain services and certain commodities; and, in other things, to habit or the mental inertia of purchasers. Thus, in the former case, public opinion would not tolerate varying and uncertain prices of admission to places of public amusement, varying and uncertain tolls over bridges or fares on public conveyances, varying and uncertain fees for the performance of necessary services, such as those connected with physical comfort, the preservation of life, or the burial of the dead. It is seen and felt that to leave the buyer to haggle and bargain at the door of a theater over the price of admission; on the brink of a river as to the sum

* "Prices are liable to great fluctuations in trades in which there is a great use of fixed capital."—Marshall—"Economics of Industry."

to be paid for a cast across the stream; in the sick room, about the fee for a prescription or the medicine that is to save life or relieve pain, would be indecent, intolerable.

Hence, public opinion prevails to establish a price on all such occasions, which is alike irrespective of the actual service rendered in the individual instance, and of the cost of rendering that service. The rule of final utility is here suspended or altogether abolished. The traveler might be willing to give a large sum, rather than pass the night in a storm, without shelter, on the bank of a river, but he gets a cast across for the customary price. The father would give all his fortune, were it needed, for the prescription to save his child's life, or the medicine which the prescription calls for; but, instead, under the rule of customary price, he pays the physician two dollars, or a guinea, as the case may be, and, at the apothecary's, pays for the medicine by the ounce, in silver, though he would pay for it, drop for drop, in his own blood, could it not be had otherwise.

Where public opinion can not be trusted to establish a customary price, in cases like the above, the law generally enters and fixes the rates at which commodities and services shall be sold. Of course, the prices paid must be sufficient to make it worth while to keep up the service, whether of the apothecary, the physician, the ferryman, or the actor or opera singer; but the price to be paid is made independent of the wealth or poverty, the knowledge or ignorance, the little or the great need, of the individuals purchasing.

**146. Influence of Habit on Price.**—Far beyond the range of customary price, in the limited class of cases above referred to, is the effect of habit and mental inertia, in restraining, or wholly repressing, the movements of price. In the former class of cases, the seller consciously submits to a restraint upon his freedom of action imposed from without, viz., by public opinion or law. In the far wider field now in contemplation, buyers and sellers are left free, so far as outside influence is concerned, but are constrained, in a higher or lower degree, by the laws of their mental constitution. No human being ever escapes from the force of habit. It is always easier to do what we have done before than to do what we have never done; to do what we have done twice than what we have done but once; to do what we have done often than what we have done seldom.



The degrees in which men are thus bound by habit differ widely. A capability of taking the initiative in action, mental courage and activity, freedom from fear and superstition, a readiness to meet new conditions and perhaps even a pleasure in encountering risks and odds, are among the fruits of culture; they constitute an inheritance in families; they even become a characteristic of nations and races.

The effects of habit upon prices are important. Habit always in some degree, often in a great degree, resists the economic tendency to a new price. The effect is seen at its maximum in wages, the price of labor. A day's wages often remain the same through years. So strong is this tendency that wages sometimes remain unaffected by the presence of a number of unemployed laborers. Instead of wages falling until all the laborers are brought into service at the reduced rates, employers continue to pay the old rates to a smaller number of workmen.

Over the price of goods habit exerts an influence not less real, though not equally powerful. It often suffices to keep price stable against an economic reason for movement, and even when movement takes place, it begins later and ceases earlier, by reason of this constant resistance.

**147. The Moral and Intellectual Elements of Demand and Supply.**—Our definitions of demand and supply, as respectively the quantity of any given article which purchasers stand ready to take at a certain price, and the quantity which producers or holders stand ready to deliver at the same price, clearly recognize a moral and an intellectual element alike in demand and in supply. "Stand ready" to take or to deliver. Any thing which affects that readiness, is, then, an element of demand or of supply. Supply is not a stock (Par. 140), a definite quantity, which must be sold, whether or no. It may be that out of a large stock, holders stand ready to deliver but a small quantity at the price offered.

The reason for withholding the stock may be found in the physical conditions attending the reproduction of the article, *e. g.*, a scarcity of the material out of which it is made, or the reason may be found in an intellectual apprehension, just or mistaken, of the state of the market, or the probabilities of the immediate future ; or, waving this consideration, the reason for a larger or a smaller quantity being offered or taken at a certain price may be moral, that is, may be found in the greater or less tenacity of purpose, or the greater or less courage to undertake risks and sustain arduous and doubtful enterprises.

In all variations between normal and market price, moral and intellectual elements are important factors. It often happens that the producers or holders of an article, anticipating a rise of price, on some account which may prove to be wholly fictitious, will keep back the entire stock, only to sell it, a little later, at a price far below that which they could have obtained for it while the false apprehension lasted.

More or less, false apprehensions enter to affect the demand for and the supply of every article in every condition of the market ; but the influence of this cause may be in one period ten times or a hundred times as great as in other periods. The contrast between a placid noonday and a "hurricane eclipse of the sun," is hardly more marked than the contrast between a peaceful, sluggish market and one excited by mysterious rumors, emanating no one knows where, or wrought to frenzy by false reports manufactured by the parties to some great jobbing interest.

**148. Retail Contrasted with Wholesale Trade.**—The foregoing holds good even of the wholesale markets, where the parties who buy and sell commodities are picked and skilled men, long familiar with the conditions of the articles in which they deal, with large opportunities, whether by price-currents, newspaper, post or telegraph, or by special and secret inquiry, for ascertaining all the facts bearing on the question, at what price they should buy or sell.

In retail trade, the moral and intellectual elements of demand and supply play a much more important part. On one side is the merchant, who by frequent resort to the wholesale dealer is kept advised of the conditions of the market. On the other side is the "customer," a creature of custom, as the term implies ; often ignorant in the widest sense of the word, unintelligent and untrained ; always and necessarily ignorant in the special sense of being unacquainted with the conditions which should determine price, not knowing what a commodity ought to cost, and, in the case of many classes of commodities, unable to judge of the quality of the goods offered, perhaps at the mercy of the dealer in the matter of the measure or weight.



The merchant, again, is the possessor of capital, and can wait to dispose of his goods at the best time. The customer, on the other hand, is generally in urgent need of commodities for immediate use, and frequently poor, so that he must buy in small quantities ; perhaps even, in debt, so that he feels under a strong constraint to trade only with his creditor, who thus holds him at a double disadvantage, for how can he quarrel, as to quality, measure, or price, with the man whom he is not able to pay for goods already had and consumed ?

**149. The Friction of Retail Trade.**—From the ignorance and inertness of the "customer" arises what may be called the Friction of Retail Trade. "Retail price," says Mr. Mill, "the price paid by the actual consumer, seems to feel slowly and imperfectly the effect of competition, and where competition does exist, it often, instead of lowering prices, merely divides the gain among a greater number of dealers. It is only in the great centers of business that retail transactions have been chiefly or even much determined by competition. Elsewhere it rather acts, when it acts at all, as an occasional disturbing influence. The habitual regulator is custom, modified from time to time, by notions existing in the minds of purchasers and sellers, of some kind of equity or justice."

And referring to this manifest inability of the customer in retail trade to look out for himself, in a struggle with the expert dealer, Prof. Cairnes says : "Between persons so qualified the game of exchange, if the rules be rigorously enforced, is not a fair one ; and it has consequently been recognized universally in England, and very extensively among the better class of retail dealers in Continental countries, as a principle of commercial morality, that the dealer should not demand from his customer a higher price for his commodity than the lowest he is prepared to take. Retail buying and selling is thus made to rest upon a moral rather than an economical basis, and, there can be no doubt, for the advantage of all concerned."

**150. Economic Forces Never Cease to Operate.**—I am disposed to think that these eminent economists overrate the disability under which the customer suffers in retail trade; and, secondly, that the inference they draw from the undoubted fact of the general prevalence of a customary price, viz., that this shows that competition is not the regulator of such trade, is not fully justified. To take an analogous case, let one look around him, in any highly organized community, and he will see very little display of force in compelling proper things to be done, or in repressing acts injurious to society. He will see on every side men doing just and decent and even courteous and kindly things, respecting the rights of others and making use inoffensively of their own powers and privileges, just as if all this were natural and pleasant to them, as, indeed it has, to a great degree, become. These actions appear to be spontaneous and instinctive; and one thus looking around on the orderly and civil procedure of daily life, whether in social intercourse or in business, might think that force was not, in any proper sense, the regulator of that community; he might conclude that good will towards others, self-respect and public spirit were universal. Yet if that power which in every civilized state is always at hand, however veiled or disguised, to protect person and property, to repress lawlessness and to punish crime, were once withdrawn, society would speedily be transformed, and the occurrence of every form of rapine and violence would instruct the observer that, behind the fairest show of order, right dealing and courtesy, stands the armed force of the community.

So, while within certain limits, competition seems to disappear wholly from retail trade, and custom and respect for the rights of the purchaser enter to banish "higgling" from the market and to impose the one-price system, and thus retail buying and selling, as Prof. Cairnes says, comes to rest upon a moral basis, yet the economic forces always lie beneath, as the bed-rock below which the effects of moral forces can not go. Let the cost of an article rise above the customary price, and merchants will make an advance upon that price, in spite of custom. Let merchants demand an utterly exorbitant price, and competition will spring up, even among the least intelligent and least enterprising buyers.



## CHAPTER II.

### THE THEORY OF INTERNATIONAL EXCHANGES.

**151.** We stated, in paragraph 119, that, on the whole and in the long run, the respective values of a number of articles will be nearly according to the amounts of labor that have been expended upon them, severally. That this will be true throughout any small community is seen in the consideration that, if certain articles failed to have as much, or nearly as much, value for the unit of labor as other articles produced in that community, some of the laborers who had been engaged in the production of the articles thus disparaged in exchange, would set themselves to making some other article or articles more highly appreciated. Either this would, at some stage, raise the value of the disparaged articles, through reducing the supply of them; or, if the community cared so little for those articles as not to be willing to pay a higher price for them, production in those lines would ultimately cease.

Subject to important exceptions—such as will be indicated in paragraphs 339-342—the respective values of articles will be regulated in the way that has been indicated, within any small community. Is any modification of this conclusion required, as exchange is conceived to be carried on between distant communities, constituting, perhaps, distinct nations?

**152.** We shall reach the essence of the matter if we assume