

CHAPTER IX.

The Circles of Trade.

In these confabs of ours on the mechanism of social service, I have said a good deal, Doctor, about retail stores. But you must have realized the necessity for it by this time. Isn't it pretty clear to you now that there are two points of individual contact with the mechanism of social service—the place at which the individual servitor works, and the place where he gets his pay—not his money, of course, but the things he has really worked for and which he may buy with his money? The place where he gets his pay, his real pay, is the retail store as a rule. But you must consider, my dear Doctor, what I mean by retail stores. I mean not only the places that we call by that name, but also all other points of delivery for final consumption, for final use.

In retail stores the service to customers is usually paid for in the form of profits, a subject that we have already been over. But whether paid in profits or in some other way, makes no difference to the matter that I want to awaken your reflection upon now. The point here is that retail storekeepers, persons who really participate in the management of retail stores in any way or to any extent, are in that way and to that extent social servitors.

It has come handy to me several times to liken retail stores—those places for the accumulation of commodities for, and their delivery to, consumers—to the faucets in our houses. As these release water from service pipes into which it flows from reservoirs in a continuous stream—release it just

when and where we need it,—so do the retail stores release commodities. Please keep the crude simile in mind, and I will try to outline the mechanism of social service, back from the retail stores—the faucets of the social service supply—through the service pipes such as delivery wagons, and the big mains such as railroad trains and ships, and back through the reservoirs that we call wholesale stores, and the filters that we call factories, to the uttermost sources of supply.

We can assign about all the things that men either produce or consume to four classes: Food, Clothing, Shelter and Luxuries. Doesn't that strike you as a rational generalization? Yes, we might add a fifth class, so as to include your profession and mine, and also clergymen, actors, teachers, barbers, and others who serve directly instead of making or handling commodities for us to buy at stores. Suppose we distinguish this class as Personal Servants.

Just imagine, now, that the Personal Servants tap the commercial reservoir for Food—all of them and for all the food that is supplied. We'll talk in this wholesale way at first, for simplicity. The actual details are very complex and we must first make a short cut to the principle. By supposing that all the Personal Servants demand all the Food supply, we are not departing from the principle; we are merely simplifying by arbitrary illustration. Very well, then, imagine that the Personal Servants tap the commercial reservoir for Food. You know how they would do it. It is the only way. They would buy food at retail food stores—would turn on the food faucets. How they pay for it makes no difference yet. We'll come to that by and by. For the present we may suppose that they give money, or checks, or notes, or have the items "charged." Upon their demand food would flow out to them from the retail food stores as water

flows from a water faucet. If you want a concrete instance, something actual instead of imaginary, think of the restaurant of our friend Joseph where we began our talks on this subject last Summer. While grocery stores yield some kinds of food in certain stages of finishment, and butcher stores other kinds, the restaurant or the hotel or the boarding house are stores for the delivery of finished food, of food on the table and ready to eat. So let us suppose that it is to restaurants and hotels and boarding houses that our Personal Servants go for the Food they demand—to the places, that is, where they can tap the social service reservoirs for finished food.

Now, Doctor, what would be the effect of this flowing out of Food from the retail food stores? Never mind whether it all goes out or only a part. What would be the effect in either case? Why, that's no riddle. In greater or less degree according to the demand, the supply in the retail stores would be lessened, wouldn't it? Of course. And what do you think the retail storekeepers would do then? Wouldn't they send to the wholesale stores to renew their supply? Isn't that what they do in fact? And what are the wholesale stores for but to respond promptly to this demand? But when they do respond, their stock also runs low, doesn't it? And where do they turn to renew their supply? Must be to the factories, mustn't it? And then what do the manufacturers do as they find their stock running out to the wholesale stores? How do they restore it? Don't they manufacture more commodities of the kind that have gone out? To be sure. But how? Why, they have to call upon material men, and machinists, and factory workmen; and these in turn call upon other material men, and other machinists, and other factory workmen, and miners. So, all along the social service line there is in consequence of the demand

of the Personal Servants for Food, a depletion of all the accumulated stores of food and food-making materials, and of machinery; and a demand for every kind of service that enters into the transporting of food and food materials and machinery, and for every kind of service that the renewal of the supply of food and the manufacturing and transporting of food-making machinery requires.

Don't you see the almost perfect analogy to the water reservoir? The Personal Servants, when they turn on the Food tap at the retail stores, take food already there. This is finished food. That is, it is food finished ready to eat, as at the restaurant, for instance; or else finished ready for home preparation, as at the family grocery. But when that food flows out from the retail food stores, it makes way for the food in the larger reservoir, the wholesale stores, which is pressing toward the retail stores, as water in the reservoir presses toward the outlet at the faucets to flow into its place. And when the flow proceeds from the wholesale stores, it makes way for food finished in the factories and pressing toward the wholesale stores to flow into them. And as finished food goes out of the factories, the unfinished food in various stages of finishment presses forward, just as water in the streams does, don't you see? and this makes way for food materials to press into the factories. And so it flows through transportation agencies, railroads and wagons and boats, from farm, and ranch, and mine, and forest, and quarry, and sea, back from the uttermost limits of food supply and machinery for food supply, and from the natural source of all, this blessed old planet of ours.

Why, Doctor, the demand of Personal Servants for Food at the retail food stores, is a demand to that extent for all the social service of the civilized world which is concerned in producing food and the artificial instruments of food production. It

tends to make a steady stream of Food from old Mother Earth, over old Mother Earth, into the wholesale stores of the world and thence to the points of retail delivery. To classify completely the service affected would necessitate the cataloguing of all industries that either directly or indirectly contribute to maintaining the flow of food, and the naming of every grade of workman from newest apprentice to supervising employer, and from bank clerk to farm hand. What Personal Servants really do, therefore, when they buy Food at food stores, is to direct the expenditure of labor to the production of the kind of food they demand. Don't you recognize our index finger law? The direction of the demand for service, you know, determines the character of the supply of service.

Yes, Doctor, this is a very crude illustration. I warned you of that when I began to make it. It is crude because it aims by simple and arbitrary particularization to illustrate processes that are bewilderingly complex. It is an effort to simplify our conception of the circles of trade, which are so interlinked, each with millions upon millions of others, that illustration is impossible except in some such crude way as I have adopted. But let us go on with the illustration a little farther; maybe its significance will clarify as we proceed.

Clothing is needed, you mind, as well as Food. Let us suppose, then, for simplicity, that the Foodmakers alone demand Clothing, just as for the same purpose we have supposed that Personal Servants alone demand Food. Then the claims for compensation which the Personal Servants had passed over to the Foodmakers—the money, or the checks, or the book accounts, or what not, don't you remember?—would be passed on by all classes of Foodmakers and foodmaking machinery makers, and food transporters, to the retail clothing stores,

and Clothing would consequently flow out from those social service reservoirs to Foodmakers, just as Food had flowed out to Personal Servants. And don't you see, let me ask you right here, that in the general round-up the Foodmakers would have swapped Food for Clothing? Foodmakers of all classes, from ploughman to journeyman baker, would have had their wages. Oh, yes, certainly, provided there was no "rake-off;" I am assuming that. Now, in consequence of the lowering of the accumulated supply of Clothing, a process similar to that we have already considered with reference to Food would set in with reference to Clothing. The reduced supply in the retail clothing stores would be communicated back in further demands for clothing, and clothing material and machinery, from retailer to wholesaler and thence to manufacturer, and so on to the uttermost limits of the natural and the social service sources of Clothing supply. It's the simile of the reservoir over again, don't you see? Clothing, and clothing machinery, in all stages of finishment, clear back to the untouched raw material in the earth, would move forward when the finished Clothing was taken out at the retail stores, just as water moves forward when taken from the faucet, just as the food supply in all stages of finishment moved forward when taken from the retail food stores. Our index-finger law again, don't you see, Doctor? The direction of the demand for service determines the character of the supply.

And now what shall the Clothingmakers—consisting of all the social servitors of the civilized world who contribute to the making or the transportation or the storing of clothing and clothing materials and machinery—what shall they do for their pay? They have had the money, or the checks, or what not, which the Personal Servants gave to the Foodmakers, but these things are not

the pay they want. They want social service, in the form, let us say, of Shelter. How will they get it? Why, they will tap the faucets at the retail shelter stores.

Never heard of a shelter store? Well, that shows that you didn't pay strict attention when I explained that retail stores are the points of delivery of goods for consumption, whether usually called stores or not. Any man who keeps flats, or tenement houses or dwellings of any kind, for sale or to rent, keeps a retail shelter store. No, not those who rent business buildings or offices. Such shelter is like machinery. It is used to produce things for rendering social service with, and not for consumption in the enjoyment of social service. What are wholesale shelter stores? They are the stores to which Sheltermakers go for building materials and tools and machinery.

Well, now let us suppose that the Clothingmakers take their pay in Shelter. Then doesn't the same thing happen to the shelter supply that happened to the clothing and the food supply? It runs low, don't you see? and that creates a demand for further supply, which pulsates back from the dealer in dwellings all through the building industries to the uttermost limits of the natural and the social service sources of Shelter supply.

If now the Sheltermakers take their pay in Luxuries, and the Luxurymakers take theirs in Personal Services, this imaginary circle of trade, which I have used for simplicity, is complete. The social servitors that we have distinguished as Personal Servants will have paid for the Food they took out of the social service reservoir, by serving the Luxurymakers. The latter will have squared their accounts by serving the Sheltermakers with Luxuries, who will have squared theirs by serving the Clothingmakers with Shelter; these in turn will have "made good" by serving the

Foodmakers with Clothing, and the Foodmakers will have done it by serving the Personal Servants with Food. If the transactions were effected by means of money, the money will be back in the hands of the Personal Servants who originally gave it out for Food; if by checks, the checks will all have been cancelled; if by open accounts, the debit side of each account will be balanced on the credit side. Each class will have put into the social service reservoir an equivalent in service in the line of one general specialty, for what it will have taken out in the line of another general specialty. And so we have an imaginary circle of trade.

Now, Doctor, if you will substitute individual specialists in social service for our five classes, you may easily imagine what each individual causes in the circles of trade when he buys commodities at a retail store, or pays for a personal service, such for instance as the barber or the bootblack may perform. He lowers the supply of commodities in the store, or enables the barber or the bootblack to do so; and the news of this lowering of supply is communicated back through all the channels and circles of trade to the uttermost sources of the supply of those commodities, and of all the machinery used to make, transport, store and deliver them. The only difference between my imaginary circle of trade, which you have circumnavigated with me so laboriously and patiently, and the real circles of trade, is that that was one simple circle, whereas they are manifold and multiplex. But my arbitrary illustration holds close to the main principle, which, as I have often reminded you, and now remind you finally and for all, is much the same as in the distribution of water in cities—the retail store standing for the water faucet. That is to say, the retail store is the place in the mechanism of social serv-

ice where each servitor gets his real wages, the kind of social service that he has worked for. He pours into the social service reservoir, whether as supervising employer or hired workman, the service he can render best; and he takes out at the retail store the services that he wants most, to the value of the service he has put in.

Here we have, don't you see, an exemplification of our middle-finger law—the law that every one who consumes products of social service, and who pays his way in the world with service of his own, virtually produces the things he consumes? If I buy a cigar with ten cents that I have got for my work, don't I virtually make that cigar? No, not that identical one, for it was made and ready for me before I earned my ten cents. But when I take that cigar the dealer has to get another in its place to keep up his stock, and so cigar making is influenced all the way back by the exchange of my work for that cigar. When you think of these circles of trade as in continuous motion, you must see that the workers keep them going by the constant action and reaction of production and consumption. The circles of trade are constantly revolving circles of service, interlinked with infinite complexity. Trade consists at the bottom in exchanges of service, of work, of labor, of human effort.

No, not always exchanges of labor, for there are parasites. But it is at the retail stores, also, that the parasite, the man who has a "rake-off" of some kind, whether through lawless theft or lawful privilege, gets his—I had nearly said "wages," Doctor, but it is wages only in the sense that sin has "wages," and as I am talking about interchanges of social service, I guess I'll call it "plunder." No offense, you know, even if it does hark back to those royalties of yours for allowing men to work in one of God's coal deposits.

But I mustn't get off into pathology, not for the present. Here we are once more up against the phenomenon of value, don't you see? for trading of social services is done in the language of quantities, qualities and values. We have already talked about what value is, but we meet it now in the practical processes of the mechanism of social service. Don't you see how it serves to regulate production? It advises the social servitors in each department of social service, through their price lists, of the demand and supply of products in their several departments of service. Rising value indicates a falling supply, or a rising demand. Falling value indicates the reverse. If without a rise in the labor cost of their production, the value of a class of labor products rises, the dealer knows that his output is below effective demand; if it falls, he knows that his output is in excess of effective demand; if it remains steady, he knows that supply and effective demand are at an equilibrium.

This is a result of competition. When competition is free of monopoly obstructions, it works as faithfully, through variations in value, in indicating alterations of demand and supply, as the thermometer out on your porch reports changes in heat and cold. Yes, "corners" may make a disturbance, but "corners" are pathological. You can't do much with a "corner" unless a legalized monopoly helps you out. This is a discovery that more than one man has made to his sorrow by matching a corner against competition in a market where freedom of trade wasn't shackled too tight.

John Stuart Mill says that values are raised or lowered by "the higgling of the market." But this "higgling" is not at the retail stores, not very much, at any rate, except as we may speak of the advance and recession of demand as "higgling." Too many collateral influences may affect retail prices to make them a barometer. The amount

of any purchase is usually so small that "higgling" over the price could hardly save enough to be worth the effort. Or it may be that pride dictates patronizing an expensive retail store because it is fashionable. Then, again, we sometimes patronize expensive retail stores because their reputation is a guarantee of the quality of goods of which we have little or no expert knowledge. At the wholesale store, however, "higgling" is reduced to an art—the art of getting the most for the least, on the one hand, and of charging "all the traffic will bear," on the other. Here the wholesaler's art in selling is pitted against the retailer's art in buying. The same thing occurs when wholesaler buys of manufacturer, except that here the wholesaler practices the buyer's art. Reflect a moment and you'll see. Though you or I might now and then pay fifteen cents for a cigar at the retail stores, a cigar that we ought to get for ten, no cigar dealer will pay \$1,500 for a quantity of cigars that he ought to get for \$1,000. If he did, he would soon be out of business. So "the higgling of the market" is in the wholesale transactions. Yet retail transactions do affect values. If retail prices are high, the general force of retail buying weakens, and this force perpetuates itself throughout the circles of trade to the uttermost sources of supply; if they are low, it strengthens retail buying, with the effect of stimulating activity throughout the circles of trade.

Well, if I haven't said anything about stock exchanges, boards of trade, and so on, it is because they are mere details in the general scheme, mere cogs in the mechanism of social service. They are market places, the modern substitute for what the old lawyers called "markets overt." Our forebears would take their products to market on market day and swap them. We take cattle to the stock yards, where brokers dispose of them for us

in open market; or oil to a pipe line, where it is emptied into a reservoir, and we are given an oil certificate, which transfers title to oil by passing from hand to hand; or we put our grain into an elevator and get a grain certificate which is dealt in at the board of trade; or we buy railroad stock, thereby securing an undivided interest in the machinery and the land belonging to a railroad, and this certificate is dealt in on the stock exchange. Of course these 'Change transactions furnish opportunity for gambling. Most men can hardly see two flies crawl up a window pane without wanting to bet which'll get off the pane first. But after all, this gambling on 'Change, so they tell me, has a sort of balance wheel effect on legitimate trading. At all events the great volume of transactions on 'Change, take the year through, does facilitate the legitimate activities of the circles of trade. But this is part of the technicality of a business not our own, Doctor, and perhaps we may not very clearly understand it. Nor do we need to, for 'Change transactions can do nobody any harm at the worst, except those who engage in them, so long as monopoly is not allowed to enter in. If the use of exchanges and boards of trade is monopolized, then they may be harmful to the general community, just as any other part of the mechanism of social service becomes harmful if monopoly chokes the circles of trade. But not otherwise. The thing we need to keep our eye on is not the particular technicalities of any special business, but its freedom. So long as the business is free, we need have no fear. Competition will make its votaries behave themselves. But if monopoly comes in anywhere, competition is to that extent weakened, and the rest of us are put at the mercy of the fellows who are "in on the ground floor."

The one great principle to be kept constantly

in mind is this, that the circles of trade, the movements of business, under free competition, are determined, and the mechanism is operated, by the ebb and flow of general demand for particular services. Business is co-operation in general activity—world-wide division of labor in working harness.