TABLE 28.—SHOWING THE AMOUNT OF MONEY AND CREDIT MONEY IN CIRCULATION, THEIR VELOCITIES, THE VOLUME OF TRADE, AND THE GENERAL LEVEL OF PRICES IN UNITED STATES OF AMERICA, 1896–1909. (From Fisher.)

Year.	(1) Money in Circulation (Billions Dollars).	(2) Credit Money (Billions Dollars).	(3) Velocity of Circulation of (1).	(4) Velocity of Circulation of (2).	Volume of Trade (Billions Dollars).	General Level of Prices.	Product of (1) and (3).	Product of (2) and (4).	Value of Total Trade.
1896 ..	0·88	2·71	18·8	36·6	191	60·3	16	99	115
1903 ..	1·39	5·73	20·9	39·7	310	82·6	29	227	256
1909 ..	1·61	6·68	21·1	52·8	387	100·0	34	353	387

The money in circulation has nearly doubled in fifteen years; its velocity of circulation has increased; the credit money nearly trebled, and its velocity increased by nearly 50 per cent.; the volume of trade doubled; and the general level of prices rose about 66 per cent. Briefly, the increase in the volume of trade was outstripped by the increases in the other four factors in the equation, and the result was a higher price-level.

Professor Segar drew the attention of the Commission to an interesting point (page 311): "If the ratio of the credit currency to money had changed, and also the velocity of circulation of the credit currency—if those two had changed together, but not the money, either in amount or velocity, that would have produced a change of 94 per cent. in the amount of currency that changed hands. You notice that those two are almost equal—viz., 92 per cent. and 94 per cent.—showing that the increase of the currency in the United States that changed hands was almost equally due to the increase in money and its increased velocity of circulation, and to the increase in bank deposits and their increased velocity of circulation. The two influences were almost equally divided. That is a point that Professor Fisher does not bring out, and it is very noteworthy."

General conclusion.

8. After taking a broad general view of the situation as it appears throughout the world, your Commission is of opinion that the increased gold-supplies of the world have assisted, both directly and indirectly through credit money, to raise the general level of prices. The Commission has already stated that the rise in the "cost of living" is partly the effect of the rise in general prices, and therefore holds that the increased production of gold has helped to raise the cost of living. This point is further developed in the next section, which deals with the different ways in which the prices of particular commodities are changed whenever a change in the general level of prices occurs.

Gold and relative prices.

9. If through increasing supplies of gold the prices of all goods and services increased at once and uniformly the gold-supply would be robbed of much of its interest in relation to the cost of living. It is true the items in the schedule of living would all increase in price, but the price of labour and ability would have shared in the general rise, and the receipts and payments would balance just as before the change.

No uniform rise of price

10. But actually, if the supply of money increases, the prices of all things do not rise in the same proportion. Many prices are fixed for long periods by contract, others by custom, and some by law; examples are those paid for the leases of farms, bonds, labour, medical and legal services, teachers' salaries, Court fees, and railway fares. Then, since the price of gold is fixed, all things of whose cost the cost of gold forms a large proportion, such as many kinds of jewellery, vary but little in price. If the prices of such things do not change in proportion to the increased gold-supply, those of all other things must rise higher than in proportion; for example, the prices of food may rise more than wages or the price of labour, and the prices of materials more than the prices of foodstuffs. But there is another reason why the increase of price is not uniform, and that is because each commodity and service varies in price relatively to all other commodities and services, according to changes in the conditions of demand and supply affecting it. If, *e.g.*, the supply of money be doubled, that does not necessarily mean a doubling of every price, because, among other reasons, prices of some commodities will be changing relatively to one another through changes in the conditions of demand and supply relating to those commodities. All prices will tend to double—that is, in the absence of counteracting