To the Honorable Senate and House of Representatives.

Pursuant to my intention which I expressed to you in my address of January fourth of this year I transmit to you a report made to me by the Commission on the Cost of Living and recommend that you take such action thereon as shall to you seem best.

SAMUEL W. McCALL.
The Commonwealth of Massachusetts.

Commission on the Cost of Living,

To His Excellency the Governor:

In the course of our inquiries we have found occasion to make special reports on four topics. Herein we summarize the rest of our findings.

It was our understanding that you sought from us no such exhaustive investigation and voluminous report as more time and funds might have permitted, but that you wanted to be informed about the causes of the present high cost of living, and particularly as to the possibility of any curative or remedial legislation.

Through investigators we have made inquiry concerning various necessities of life, and we file in the State Library the information they have secured. From this information, from the examination of witnesses, from hearings and conferences, and from our personal study, we reach the following conclusions:

Basic Causes.

The great underlying causes of the recent rise in prices are beyond the control of any one State.

They should, however, be here enumerated, not only for explanation of the country-wide situation, but also because when they cease to operate, as may happen as soon as the Great War ends, the State may be confronted with a serious situation, calling for prompt action, against which preparation should now be made.

Effects of the War.

The most powerful influence in raising prices is well understood to have been the Great War. Our exports in the last twelve months were a little more than twice as large as in the
twelve months just before the war. The increase was more than three billion dollars. It took at least three million of our wage-earners to produce this excess. These wage-earners were diverted from the work of producing for home consumption, and of course our production for home consumption did not keep pace with the increased demand.

It is probable that before the war about two hundred million persons were gainfully employed in Europe. Speaking in round numbers, about twenty million of these have been diverted from the work of production to the work of destruction. How many more have been occupied in feeding and clothing these twenty millions, and furnishing to them the instruments of destruction, is of course, a matter of conjecture, but it is reasonable to suppose that for every man in the field, another has been working at home to help destroy. That would make forty million persons in Europe taken from usual occupations, or one-fifth of the producers. The destructive effort in other parts of the world would probably offset any addition to production through the employment of more women and children.

**Short Crops.**

The rise in prices of food has been enhanced by a shortage of nearly all crops in 1916, due to bad weather, and in some degree to scarcity of fertilizers.

The wheat crop of the United States in 1916 was smaller by two-fifths than in 1915, and twelve per cent. less than the 1910-14 average. In the other wheat producing countries of the world last year's crop was also abnormally small.

The potato crop in the United States was twenty per cent. below normal in 1916. The average farm price was $1.46 a bushel December 1, 1916, and 62 cents December 1, 1915.

Although the shortage in the yield of other food crops was less, it was enough to exercise a strong influence on prices.

At the same time, the cotton crop — though a little larger than in 1915 — was considerably below the average of recent years.

In the year before the war, about one-tenth of our wheat crop was exported; in the first two years of the war, about
one-fifth. There have, also, been great increases in the exportation of meat products.

The effect that is invariably found whenever supply is abnormally lessened without any decrease in demand, is an increase in prices. Higher prices usually lessen demand, but in this period of great prosperity the additional purchasing power of the people has largely offset this influence.

**Abnormal Buying.**

In seasons of rising prices merchants and manufacturers buy more stocks and supplies than when prices are falling. The effect of the war has been to exaggerate this. Uncertainty as to how far prices might rise led manufacturers to compete with each other for all the raw material in sight, and in numerous instances to fill their storage space with quantities in excess of normal.

Merchants did the same thing in the matter of stocks of goods. This created a fictitious demand, which has contributed toward making the rise in prices still more rapid and extreme.

**Prosperity.**

Retailers in every field testify that everybody buys more freely in good times than in hard times.

This happens whether the customer’s own income has been increased or not, for the buying fever is contagious. Of course, all whose incomes have increased, spend their money more lavishly. The result is that even in the case of such a thing as coal, the consumption in the home is markedly greater when times are good.

This condition has been no small factor in contributing to that excess of demand which has so greatly taxed supply, with the inevitable result of a contribution to the rise in prices.

**Inflation of the Currency.**

Many times in the history of the world inflation of the currency has caused high prices. The most striking example of this in the history of our country came in the Revolutionary War; almost as notable was the rise of prices in the Civil War.
The same thing has happened now, not through the issue of paper money, but by an enormous addition to our stock of gold, due to payment for the munitions, food and merchandise we have sent abroad.

Since the war began, our stock of gold has increased by one billion dollars and there is to-day in this country almost half as much again per capita as there was when the war opened. We have now ten times as much gold for each inhabitant as we had in 1875.

Gold is the basis for credit, and this huge increase in gold has resulted in a corresponding expansion of all devices that do the work of money.

At the same time the operations of the Federal Reserve banking system have contributed to the inflation by making it easier to raise funds on individual credit. It is now generally understood that money, like all other commodities, rises and falls in exchange value. To speak of a general rise in prices is the same thing as to speak of a fall in the purchasing power of money. The situation would be much better understood if whenever reference is made to a general rise in prices or an increase in the cost of living, the phrase — "Fall in the purchasing power of money" — were used instead.

That this is a part of what has happened is shown by the fact that the fall in the purchasing power of money has been general and country-wide.

**Difficulties from Re-adjustment.**

A fall in the purchasing power of money would do comparatively little harm if it affected everybody alike. If both income and outgo, as measured in dollars, rose in the same ratio, there would be no great occasion for complaint, except from those who in the process of investment have lent a certain amount of purchasing power, and upon payment get back less.

The trouble comes from the irregularity of re-adjustment. Men with incomes fixed by custom or law, and changed with difficulty, have suffered the most.

The result is that at a time like this, part of the people
get more than their fair share of prosperity, and part get
less, or are indeed actually worse off, by reason of general
prosperity, through its effect in rising prices.

Furthermore, while there is the widest variance of opinion
among experts as to what will happen in matters of the cur-
rency, there is general apprehension that the monetary diffi-
culties of nearly all the great nations of the world will pro-
duce an era of confusion and uncertainty that may seriously
affect our own monetary standards.

IN PREPARATION.

Times of abnormal prosperity have always been followed
by times of abnormal adversity. Sooner or later there will
be a reaction. Soon or later the prospect of unemployment
and consequent suffering must be faced. In such periods the
suggestion is always made that the State should give relief
by public works that can employ unskilled labor. The
machinery for starting them afresh, however, is so cumber-
some that no substantial relief can be given before the need
disappears.

We respectfully submit that it would be wise foresight for
the Legislature, for city governments, and for all public
agencies that have to do with the spending of money for
public undertakings, to take thought against this apparently
inevitable situation.

In view of this and of the abnormal cost of all materials,
we urge that all expenditure out of moneys appropriated for
construction be postponed where immediate action is not
imperative. The importance of this is made all the greater
by the instant need that all the resources in both energy and
money that can be advantageously employed, shall be con-
centrated on preparations for a possible state of war. Mani-
ifestly, every available effort the Commonwealth and the
Nation can command, should be turned into the channel that
is for the moment of supreme consequence.

In order to provide for a quick emergency when peace
brings reaction, we believe that some body, such as the State
Board of Agriculture, should be instructed to prepare plans
immediately for the drainage of fertile swamp lands. Then
the necessary funds can be appropriated and the work carried out expeditiously when occasion arises. There is reason to think that at any time such expenditure would be of public advantage as a means of adding to our food supply, but it would be doubly useful if this work could be done in periods when large numbers of our wage earners cannot get employment at their usual occupations. Plans for such work should be made immediately, with an emergency fund for their execution when in the judgment of the Governor and Council the exigency may arise.

Waste.

The growth of our population has at last brought us to the point where the pressure on our natural resources makes it imperative that the people as a whole shall take more thought of the joint means of subsistence.

In addition, there are three reasons why at the moment it is particularly important that the need of reducing to the minimum all forms of community and individual waste shall be brought to public attention.

First, many of our people are suffering because of the unequal operation of the influences set forth above.

Secondly, we seem to be approaching a period of depression when economy will be of vital concern to everybody.

Thirdly, and most important of all, if the nation cannot escape war, every resource ought to be available for its prosecution. The need of extraordinary sacrifice is not beyond the range of possibility.

Therefore, we would point out certain opportunities for public and private economies, in addition to those discussed in previous reports.

The Public Budget.

The cost of government is rising by leaps and bounds. In 1910 it was estimated that the total expenditure per capita for State and local purposes in Massachusetts had risen by four-fifths in thirty years. In the next five years it rose still more rapidly, reaching $41.52 per capita or $207.60 for the average family of five persons.
In the same five years the average annual increase of assessed valuations was 4.48 per cent. The average annual increase of expenditures was 7.4 per cent. In other words, our State and municipal expenditures are increasing annually at a rate three-fifths greater than the wealth called upon to provide the revenue to meet them.

Adding the expenses of the Federal Government, we find in Massachusetts in 1914 (the latest authoritative figures) a total per capita expenditure for governmental purposes of $52.34, or $261.70 for the average family of five persons. The governmental expenditures of Massachusetts per capita are twenty-five per cent. higher than those of any other State in the Union.

The interest burden alone is tremendous. The State debt of the Commonwealth amounts to $22.78 per capita, more than 100 per cent. higher than that of any other State in the Union, and 640 per cent. higher than the average per capita debt of all the other States.

This has come about because of the demand of the people for services at public expense that formerly were furnished at private expense or not at all. No considerable body of opinion calls for stopping any classes of expense. On the contrary, the pressure for extension is constant and strong.

If the people knowingly and deliberately want to add to their co-operative expenditure, the responsibility is theirs. The danger lies in the fact that large numbers of them, probably the great majority of them, do not understand that through the shifting of taxes the burden falls on all shoulders. It is the wage-earners of the State who pay its expenses through the grocer, the shop-keeper, the landlord, and a hundred other channels.

We submit that it is vitally important they shall be better informed as to the true state of affairs. No one specific method of doing this will suffice. It must come about through the steady encouragement of publicity relating to the processes of government.

It has, of course, always been important that economy and efficiency should mark the expenditure of the public funds. With the enormous increase in public activity, this need
becomes all the greater. It can be met in part by the systematie development of State and municipal reform now under way, which shall apply modern methods of handling private business to the handling of public business. It seems particularly important to develop for both the State and its sub-divisions scientific planning of expenditures, and the introduction of modern accounting methods.

The proposal for a State budget is the definite thing nearest hand. We urge its prompt adoption.

We also urge that the State supervision of local finance be developed and extended. In European countries the situation has been met by the creation of local Government Boards, which give expert supervision. At the present time our control of local affairs is largely secured through committees of the Legislature. In many respects this is unsatisfactory. Possibly the coming Constitutional Convention will see fit to recognize it and to secure some method of supervision, which will bring to the help of local government the services of experts trained in the science of governmental efficiency.

**Private Budget.**

The total of individual wastes puts a great strain on our food resources, and makes it of ever growing importance that these resources shall be enlarged and that individual waste shall be lessened. The figures show we have reached the point where these things have become matters of public concern, involving as they do the comfort and happiness of the people.

The increase of our food supplies is properly receiving the attention of various agencies of our State and national governments. It is needless for us here to repeat the considerations presented to the Legislature by those in charge of these agencies.

We would, however, earnestly endorse their purposes, and add our testimony as to their importance. We join in asking serious consideration of the proposals for organized methods of marketing farm produce, for reclaiming waste land, for encouraging the intensive cultivation of undeveloped areas in and near our cities, for putting instruction in
the arts of agriculture and horticulture within the reach of all who are willing to profit by it, and for such other programs as look toward food-producing efficiency.

If it were within the scope of the present inquiry, there could easily be found many directions in which individual economy could be urged. We deem it necessary, however, to confine ourselves to two opportunities for saving, which may serve as illustrations of what can be done through popular education.

**Fish.**

No place in the world equals New England in variety and amount of sea food. While the consumption of fish has increased during the last few years, it still amounts each week, on the average, to less than one meal out of the twenty-one. Less than 5 per cent. of the average family outlay for food in New England is spent on this most important article of diet, while meat runs from 30 to 40 per cent.

Popularizing the use of fish will help to make it a daily article of diet, instead of having the consumption restricted chiefly to one day in the week, as is now the case, which taxes supply and distribution facilities to the limit, with altogether disproportionate strain. If the demand can be increased throughout the rest of the week, further investment in fishing vessels will be warranted and certain, for the owners will be reasonably sure of profitable sale for the catch, no matter when it arrives.

The State has a direct interest in accomplishing this result, because it has gone into partnership in the fish industry. It has constructed a fish pier foundation on Commonwealth lands at South Boston, and leased it to the Boston Fish Market Corporation, which has erected buildings thereon at a cost of about $2,000,000. Counting interest at 4 per cent. on the minimum value of the State-owned land, and the actual investment by the Commonwealth in the foundation of the South Boston Fish Pier, the annual rental paid to the State fails to reimburse it by more than $16,000 a year, which amounts to a subsidy to encourage the fish industry.

The opportunity of the Legislature to help in this particul-
lar lies in the removal of all obstacles in the way of speedy extension of trolley freight service to every corner of Massachusetts. A large and steady market will give stability of price, lessen waste, and so in the end keep cost at the minimum.

Milk.

The high cost of living may be cut down by substituting milk and skimmed milk for more expensive foods, such as meats and eggs, without any loss of nourishment. Protein, the most valuable food ingredient, is found in the skimmed milk as well as in the whole milk. It may be bought much cheaper in milk than in meat or eggs, and cheaper still in skimmed milk. Skimmed milk contains everything that is in milk except the fats. By co-operating, two families can buy an $8\frac{1}{2}$ quart can of skimmed milk every other day for 25c., or 3c. a quart. Some dealers sell it in four-quart cans. If the price of skimmed milk is more than one-half that of milk, it is cheaper to buy milk.

Milk is one of the best balanced of foods, and one of the cheapest. Ten cents for a quart of milk gives the consumer a food value, the equivalent of which in other common foods now costs 26c.

We find that two fundamental defects in the milk situation in Massachusetts and New England are,—first, that consumers do not use enough milk, the per capita consumption having steadily fallen off; and secondly, that farmers do not keep large enough herds and do not produce enough milk to do it economically, the number of cows having steadily declined.

The remedy, therefore, is to persuade consumers to use more milk, and to give farmers an inducement to keep more cows and to produce more milk. Economies in both the producers' and dealers' costs may be made if the volume of business in increased. The price to consumers may be kept down, while at the same time the producers and dealers can make a larger margin of profit.

Of the 10c paid by the consumer for a quart of milk this winter, the farmer gets on an average about 5c, the railroad about $\frac{1}{2}$c. and the distributor about $4\frac{1}{2}$c. Producers are now
getting about ¾c. more than last winter. Some who are selling on a scientific butter-fat basis are getting over 1c more.

Producers, railroads, and dealers all claim that they are now making little or no profit out of the business, while consumers protest against the rapid increase in the retail price of milk, which has now reached 10½c. a quart for ordinary milk.

**Co-operation.**

Inquiries like ours have always led investigators to the conclusion that the great social need of the time is the improvement of the processes of distribution. Those of production, manufacture, and long distance transportation were brought in the nineteenth century to a high stage of excellence. The problem of the twentieth century is to lessen the cost of getting food, clothing, and the other necessities of life from the railroad terminal to the homes with the utmost economy. Fortunately, many business men are now carefully studying this problem.

Elsewhere, and particularly in European countries, savings in the distributive process have been effected by co-operation. The principle has made little headway in our community. Its possibilities are such that it should receive public encouragement wherever practicable. The present laws of the Commonwealth governing organization of co-operative societies are conflicting and unduly restrictive. The limitations upon the rate of dividends permitted to be paid on capital invested in co-operative stores are too low.

We recommend, therefore, that the Legislature revise the laws relating to co-operative societies.

**In Conclusion.**

It will be seen that the opportunities for State legislative remedies to meet the situation are not many. Action along the lines of education is the promising field. It is not, however, a field that the State itself can enter with great promise of practical results. It seems to us, rather, to come within the domain of philanthropy.

For great masses of our people, life could be made easier
if public spirited citizens would engage in the work of enlightenment. In New York, the distribution of large quantities of instructive reading matter bearing on possible domestic economies is reported to have well repaid the effort. This distribution was accomplished through the medium of the public schools.

If Your Excellency should see fit to take the lead in this matter by inviting a group of public-spirited citizens—50 or 100 in number—to interest themselves in this particular form of public service, we are confident that through private generosity they would have no difficulty in securing adequate funds with which to render a genuine service to the community. Their function should be to educate the people regarding the effects of extravagance and waste in matters domestic and public, to teach food values, to show the people how to get more out of their wages. Committees of this sort have been successfully formed in other communities, and their good work deserves our imitation.

COMMISSION ON THE COST OF LIVING,

ROBERT LUCE,
Chairman.

MELVIN T. COPELAND,
Secretary.

EDW. F. MCSWEENY,
JAMES J. STORROW.

February 15, 1917.

To His Excellency the Governor.

I agree substantially to the foregoing report of a majority of the Commission, but I submit as an additional recommendation the following:

While the general tendency of the prices of the necessities of life to rise is not due to the war in Europe, yet it cannot be denied that the recent startling rise to which we have not been able to adjust our conditions, and which is pressing upon us so severely, is due to the war. How much of the increase in prices on account of the war must be attributed to the deflection of labor from the production of the necessities of life to the production of the instrumentalities of death, and how much must be attributed to our attempt to
feed the fighting nations may not be clear, but again there can be no doubt that a very appreciable part of our present high cost of living is due to our attempt, not only to supply the nations of Europe with the instrumentalities of death, but with the necessaries of life.

Men may differ upon the wisest course for us to adopt in these circumstances, but at least, there ought not to be any hesitation to admit the palpable truth that not only does the fact that we supply Europe with the munitions of war, but also that we are now supplying her with food is a considerable cause of our high prices.

An embargo upon the munitions of war would not be unneutral if its object is self protection, neither would an embargo upon food be unneutral. By the protective tariff we levy a tax upon American consumers and thereby increase the price on all those necessaries of life which could be bought from abroad more cheaply than they could be bought at home, in order to protect the American manufacturer. It certainly is not different in principle to lay an embargo upon the necessaries of life produced at home in order to protect the consumer. The economic principle of an embargo is not unsound if the economic principle of a protective tariff is not unsound.

The American consumer is entitled to protection, when in order to protect the producer he submits to the exactions of a protective tariff and pays by reason of the tariff higher prices upon a great many of the necessaries of life he buys.

Whether we ultimately decide to suffer until the war-mad nations have fully satisfied their lust for destruction, or whether we shall decide to lay an embargo and let these nations take care of themselves, we should at least present to the public the facts and let them know that their present high prices are partly due to the attempt to feed Europe under war conditions.

I believe that an embargo ought to be laid and therefore suggest that Your Excellency recommend that the General Court memorialize Congress to that effect.

Respectfully submitted,

FRANCIS X. TYRRELL.