THAT "MEASURE OF VALUE."

It Does Not Consist of Any Commodity but Is the Invariable, Immutable Figure 1.

In the Chicago Times-Herald of May 15 Prof. J. Lawrence Laughlin writes as follows:

"Besides the use of money as a medium of exchange, money is necessarily used as a means of comparing the values of various goods. This function is a very simple one. One article is compared with money and its value relatively to money is its price. Another article is compared with money, and its price, thus obtained, enables us to see at once how the two articles compare with each other in value. A's horse is in value equal to the grains of gold in $200, and B's wagon is likewise equal in value to 200 gold dollars. Hence we know that A's horse and B's wagon will exchange even for each other. No exchange may result from this comparison, money not being used as a medium of exchange.

"In the use of money as a measure of value commodities are referred to a common article. It is like reducing fractions to a common denominator before we can compare their relative value. A certain qantity of some article, like gold or silver, is taken as a means of comparison. Thus, 23.2 grains of gold or 371¼ grains of silver may be taken. This is a unit of value in a monetary system, to be called by any name for convenience. The value in the unit resides in the value of the material in which the unit is expressed. The number of times wheat will buy 23.2 grains of gold is the number of units of gold the wheat will exchange for. The essential thing is that the unit must itself have value. With us the name given to 23.2 grains of gold or 371¼ grains of silver is a dollar.

"In connection with the function of money as a common measure, the really important and exceedingly serious requirements is that it should not change nor fluctuate rapidly. If the quart cup gets to growing small the customers cry out; if it grows larger the milkman complains. So if money, of itself, begins to change much, then on one side or the other complaint will arise. So the whole problem about money as a measure of value is to get something having stability, or as much stability as a mere commodity can have. But of this we may have something to say again."

Note that the professor says that "the essential thing is that the unit must itself have value." Not only is that not "the essential thing," but the prevalence of this basic idea of the commodity money fallacy is the cause of most of the misery and suffering of past ages.

The superstitious idea that the money unit must be a set and certain amount of valuable commodity is the basic fallacy or corner stone upon which the "money power" is rapidly erecting the temple of industrial serfdom.

The substitution of the term "measure of value" for the term "unit of account," and the legal enactment that some certain quantity of some rare metal shall constitute the measure of value, are the potent instrumentalities through which the Shylocks of the world enslave the toiling masses of humanity.

Very few of our own citizens know, and none (except bankers) care, how much metal constitutes a standard unit. They simply use the dollar as a counter or numerator, and, comparing one with the other, say a horse is worth 100 units, and a cow 25 units, which enables a man who wishes to turn a horse into four cows to sell the horse for counters to a man who wants a horse, but has no cows, and then give the counters for four cows to a man who has them but does not want a horse. Neither of them would want gold or silver, except to exchange for a horse or cows.

Money is a legalized system of comparing and differentiating values, by and through the medium of materialized counters. Money coins, or bills, are the material embodiments of the ideal, abstract, invariable and immutable natural unit of account—the figure 1—with its decimals and multiples. Money has, or should have, no "actual value," its value being legal and arbitrary, consisting partly of the power to count and differentiate (real) values, but chiefly in the promise of the people, severally and collectively, to receive it in settlement of all debts, public and private; such promise being crystallized into law by legal-tender acts. Articles or commodities, of real or actual value, are differentiated in value, not by comparison with the value, but with the numeral denomination of money. A certain range, or schedule, of articles are all, each of them worth as much as the other, i. e., each of equal value. These articles or commodities are each worth a unit, or basis value—the figure 1—called by us one dollar—in England, one pound—in France, one franc—in India, one rupee. The multiples of such units represent the number of units, or basis values, an article is worth; and thus money is but a measure of comparison by which we differentiate the comparative value of several commodities, in which, and not in the money, the value inheres. It is only in settling international (foreign) balances that the value of the metal is taken cognizance of, and then by weight, at its commercial value.

Mr. A. P. Hepburn, late comptroller of the currency, concedes this fact in his report for 1892, and at the same time utterly demolishes Mr. Cleveland's fad—"money universally recognized by all civilized countries."

Mr. Hepburn says: "Our international banking and commercial transactions are settled upon a system of balances through a few leading banks and banking houses that deal in foreign exchange. When the exchange market affords no bill of exchange to be remitted, gold is shipped to settle the balance of trade existing against such nation, and when so shipped, whether bars or coin, it goes simply as commodity, at its market value, precisely like merchandise."

International balances, thus settled, are but infinitessimal fractions of the aggregate international exchanges. But be they large or small, the people's government has nothing whatever to do with their settlement. Trade balances are owed by individuals, and not by governments, and if they must be settled with gold, should be settled with gold bullion which has not been coined and entered into the volume of our circulating medium. To argue that a nation's money must be composed of, or based upon, gold coin, because of the possibility of having an adverse balance of trade to pay, amounting to a few million dollars, is the climax of absurdity, and renders the volume of money dependent upon the state of the balance of trade. We never can tell just what gold and silver are really worth until we cease to use them as money and allow their relative values, as compared to other commodities, to be differentiated and expressed in terms of abstract and ideal monetary units, or value denominators. The value is in the commodities exchanged, and not in the money through and by the medium of which they are exchanged.

Instead of an international monetary conference to settle the status of silver, we had much better agree upon a uniform, international paper money, which shall conform to the universal ideal "money of account." The United States dollar should not wear the badge of servitude to the money power: "On demand, the United States promises to pay," but rather should the inscription read: "We, the people of the United States, severally and collectively promise to receive this bill, at its denominational value, in payment of all debts, public and private." A promise to receive, on the part of the whole people, is the essence of legal tender. Legal tender is the statutory enactment of a national promise to receive. Securely based upon the people's promise to receive, as individuals, for labor and commodities; as a community, for taxes and dues; this money would freely circulate as a medium of exchange, and none would care to inquire if it possessed, of itself, any commercial value, or if it was redeemable in gold or silver coin.

Prof. Laughlin conceded this fact on May 14, when he said:

"The case is precisely the same with money and goods. Money is only the machinery by which goods are exchanged against one another. It is only a means to an end. It bears the same resemblance to goods that a railway or a bridge does. Increasing the amount of money does not increase the quantity of goods anyone owns. Money, no matter how valuable it may be, is not wanted for its own sake, but for what it will buy. We do not eat nor drink nor keep the money itself. It is the very thing that earns nothing so long as we hold it. It is a means to an end, or, like a bridge, a means of getting goods from one shore of a river to another."

Prof. Laughlin, in the foregoing paragraph, utterly demolishes the pet fallacies of the metallists' "intrinsic value," "specie basis," and "money of ultimate redemption."

The phrase "money of ultimate redemption" is the utterance of financial lunacy. Money, in its simplest analysis, is a certificate that the holder thereof has performed certain services for, or parted with certain commodities to, the community, severally or collectively, and that the community, severally or collectively, owes him a like value in return. Each time such money changes hands it has been redeemed by the community, severally. When it is received by the community, through its national, state and county governments, in payment of taxes, it has been redeemed by the community, collectively. The total volume of money in circulation is annually redeemed twice, or more than twice, by being received for taxes. I have used this identical language before and I may use it again. In the apprehension and practical application of these truths lies the road to true monetary reform, hence they should continually be held in view. Let us hew to the line and never mind where the chips fall.

GEORGE C. WARD.

GUNTON VS. GUNTON.

The Editor of the Social Economist Annihilates Himself in Joint Debate.

THE AFFIRMATIVE.

The central idea behind the bimetallist theory is that value of the precious metals when coined is governed by a different principle than when in bullion.

Statute law, making a certain number of grains a monetary unit of specific debt paying power, is assumed to suspend the operation of economic law in relation to the value of coin.

This is an unsustained assumption. It has no basis in fact or logic.

Coins are commodities—nothing but commodities. The fact that precious metals are used for money exercises no influence upon their value except as it constitutes a permanent part of the demand for the metals. In this it exercises exactly the same influence, neither more nor less, than the same demand for the same metals would for use in the arts. The idea that statute law can impart to precious metals or any other commodity a permanent value as compared with other commodities—a value materially different from that possessed by the metal of which it is made—or that the value of the coined metal will be more stable than that of the bullion of which it is made, is an unadulterated myth. Statute law never had any such power. It may determine that a specific quantity of a given article, say grains of gold or silver, shall constitute the monetary unit and have the debt-power of a dollar, a pound, franc, thaler or yen; but it can exercise absolutely no influence over the extent of that debt-paying power; that it is to say, the ratio in which it will exchange for other commodities. In other words, statute law can never make the gold dollar, the gold sovereign or any other money unit have a perceptibly greater purchasing or exchange power than has the bullion of which it is made.

This has been tried a great many times, but it has never once succeeded, even under such arbitrary monarchs as Henry VIII. The melting pot was always stronger than the statute law. This idea is a belated remnant of the period of legal omnipotence, when religious truth as well as economic prices were determined by legislation. The time has passed for discussion of the subject upon any other than inductive economic grounds.

There is only one general economic law of value, and that law governs the value of gold and silver, coined and uncoined, in the same way as it governs the price of wheat, of iron or any other commodity. * * *

THE NEGATIVE.

Now the question for bimetallists to answer is, what, under these circumstances, would be the effect of the free coinage of silver in a single country or in all countries? Gold monometallists declare that if it were adopted in this country it would immediately put the United States on a silver basis, and some go so far as to insist that it would do so even if a number of countries united in adopting the free coinage of silver. Whether this would or would not be the effect, would depend entirely upon whether the dearer metal, gold, was rendered unnecessary to the currency and driven out of circulation, and that would depend upon whether enough silver was supplied to fill the entire demand for coin circulation. Bimetallists insist that this would be obviated by the fact that free coinage of silver would at once send the price up to a level with gold. Monometallists often make themselves ridiculous by flatly denying this statement.

Thus the New York Sun of April 18, editorially says: "The idea of opening the mints of the world to silver would cause its value to take a great jump upward is one of the delusions that must be eliminated from the discussion of the question." In this instance it is the writer of that article who needs to be undeceived. It needs only a moment's reflection to see that if all governments, or that if any one government, should agree to take all the silver that was presented and make 371¼ grains into full legal tender dollars equal to gold dollars, the price of all the silver in the world would immediately rise to that level, which would be $1.29 an ounce. It would rise to that level for the simple reason that nobody would be fool enough to sell his silver for less than $1.29 when there was a party standing ready to give that price for all he would bring.

On that point the Sun is entirely wrong and the bimetallists entirely right; the price of silver would immediately jump up to $1.29 an ounce. But what will happen when silver does thus rise, is the question. It is obvious that the first effect of such a rise in silver would be greatly to increase the supply of silver. Nor is there anything peculiar in this; 40 or 50 per cent. profit would multiply the supply of any product capable of production. This increased production would lead to the opening of new mines and the reopening of old or inferior mines. With such recourse to inferior mines the cost of producing silver would increase, and this would continue so long as mines could be found that would yield silver at a cost of $1.29 an ounce, or enough less than that amount to yield as good a profit as could be obtained with the same capital in other industries; when it passed this point the increased supply would cease.—George Gunton, editor of the Social Economist in N. Y. Press.

In like manner, Mr. Matthew Marshall, in one of his financial letters to the New York Sun, squarely contradicts himself in relation to the identical selfsame issue in relation to which Mr. Gunton is so badly mixed up. Says Mr. Marshall:

"That our standard silver dollar is worth twice as much as the silver bullion contained in it is because of the restriction placed upon its issue. It is token money which the government agrees to accept at its nominal value in payment of taxes and duties, and it would be equally valuable for money purposes if it were made of tin or of copper, or if it were, like the greenbacks and treasury notes, stamped on paper. If the restriction upon its coinage were taken away, and it could be coined in unlimited quantities, it would sink to its bullion value, although the additional quantity of it coined would be very small. The fact that silver could be turned into coin at pleasure would have the effect of practically making it worth in coin the amount of coin it would yield. Conversely, the coin made from it would be worth no more than silver bullion."

Ought to Work Both Ways.

The Iron Age attempts to show that silver has fallen in price because of improved methods in mining, and quotes the Quincy copper mine in the northern peninsula of Michigan to prove its point. The production of this mine was about six times as great in 1894 as in 1864 and while the price of copper has fallen from 26¾ cents in 1864 to 5¾ in 1894 and wages are higher (?) now than in 1864 the profits of the owners were greater, owing to improvements in explosives, machinery, drills and other mining methods. Granted that all these claims are true and that this is the cause of the fall in price of copper and silver, does not the same argument apply with equal force to gold?—National Advance.

—The Rothschilds agreed not to draw gold out of the treasury for six months if Grover would agree to give them all the government bonds offered for sale during that period. The gang is not drawing much gold out of the treasury, but they are cornering the gold production and thereby stopping the flow of gold to the treasury. Nice lot of pirates these for a government to enter into a contract with to sell them all the bonds to be issued!—Southern Mercury.

—As long as we have rich idlers, we must have poor workers. Were all producing wealth and equitably exchanging it, none need be poor.