WHY NOT HERE, ALSO?

Much of France's Prosperity Is Due to Her Splendid System of Government Banks.

George Rutledge Gibson, the well known New York banker, now visiting Paris, gossips intelligently and entertainingly of the Bank of France, as follows, in the American Banker:

"The present capital of the bank is 182,500,000 francs, with accumulated reserve, profits, special reserve and landed property reserve of about 42,000,000 francs in addition. Its shares are of a par value of 1.000 francs, but they sell at about 3,700, and last year they paid a dividend of 113 francs, or about 3 per cent. on the investment. Here I may cite the progressive decline in dividends of the bank, which were 250 francs in 1881, 290 in 1882, 226 in 1883, 214 in 1884, 185 in 1885, 155 in 1886, 150 in 1887, 142 in 1888, 152 in 1889, 157 in 1890, 159 in 1891, 130 in 1892, 124 in 1893, and, as I have just said, 113 in 1894. The effects of the world wide panic in 1890, the destruction of enterprise and fall in the rate for money are registered in the earnings of this bank during the past three years, not to count the results of seriously increasing banking competition. In connection with this it may be interesting to note that French commerce has been benefited for years by the steadiest and lowest rate of discount of any country in the world. The Bank of France has the one central office and an auxiliary place in Paris, Place Vantadour, and besides this in the provinces it has 94 branches, 38 auxiliary bureaus, 20 annexed localities or branches of branches, 105 towns (villes attaches) visited by the agents of the foregoing branches, or 258 banking locations, in all of which the bank rate, as applied in the city of Paris itself, is equally in force. Thus not only general accommodation is granted to the extreme outposts of France, but this accommodation is at a uniform rate of interest. It is as if the Chase national bank, for example, had branches throughout the United States in which prevailed the same discount rate on advances made in Kansas City or California as charged in New York city. This shows how deeply the roots of the Bank of France are embedded in the economic system of this country. In 1890, when the average rate of the Bank of England was 4.69 per cent. and the average rates of the great state banks in Paris, London, Berlin, Vienna and Rome were 4.54, the average rate of the Bank of France was 3. So in 1891 it was 3 per cent. at the Bank of France, against the general European average of 4.06, 2.07 in 1892 against 3.53, 2½ in 1893 against 3.81 and 2½ against 3½. It is true that in 1894 the average in London was lower, but English commerce has been subjected to changes that have never been felt in France. The rate may never go quite so low in Paris, but it never goes so high; the interest rate is always more equitable throughout the year and over a series of years in France than elsewhere in the world. Not only through its numerous branches and uniform rate of interest, uniform throughout France, at any given time, as well as throughout the years, does the Bank of France furnish perfect accommodation to the commerce of the whole of France, but likewise by its regulations regarding the size of discounts it affords to all borrowers, of low as well as of high degree. The statistics of the Bank of France show a gradual enlargement of its operations in bills receivable of a small denomination, an enlargement disproportionately great compared with the increase in the number of such bills discounted. For example, there were discounted in 1881, 10,494,849 pieces of commercial paper, all necessarily bearing three names and for a period of maturity never longer than three months, of an average value of 1,167 francs, or say $232. In 1889, 12,368,431 pieces were discounted of an average value of 714 francs, or $142, while in 1894, 13,489,506 pieces were discounted of an average value of 646 francs, or $128. As many of the operations are

this law "u-n-c-o-n-s-t-i-t-u-t-i-o-n-a-l." What wonderful instruments these constitutions are. The supreme courts are discovering new meanings in them every day that have been concealed all the years since their adoption and never before suspected to exist. These discoveries beat the "great cryptogram" all hollow.—Topeka Advocate.

Sound Currency.

All new schemes of fiat money must be strenuously resisted, whether proposed in the form of depreciated silver or legal tender treasury notes. A safe and elastic system of bank note currency must be devised and put in operation, both to pave the way for the retirement of the greenback issues of the federal government and to put a stop to the constant and dangerous demands upon congress for "more money." The treasury of the United States, thus relieved from the responsibility imposed upon it in respect to the currency, will then be free most effectively to perform its legitimate functions—the collection and disbursement of federal revenues.—Platform of the Reform Club.

—Gold is said to have been discovered at the bottom of the ocean, near Los Angeles, Cal. Now, if all the goldbugs could be sent to the bottom after it, the world would be better off.—Independent.

—The bankers are a unit in opposition to populism, but in perfect harmony with the dominating power of both old parties.—Chicago Express.

THE VALUE OF GOLD.

It Is Fixed by the Charter of the Bank of England and the Coinage Laws of the Nations.

In the Chicago Times-Herald of June 10, Mr. J, Laurence Laughlin, professor of political economy in the University of Chicago, published the following article:

"The idea residing in the words 'value of money' seems to be particularly open to misunderstanding. Of course, value is a relative thing. One article can have exchange value only in comparison with something else. Its exchange value is the quantity of other things for which it will exchange. Gold, for instance, may be compared against corn. The value of 23.22 grains of gold, expressed in corn, is the number of bushels of corn it will exchange for. The value of that gold (a dollar) in general is the quantity of goods in general for which it will exchange. Now, what follows? It must be as clear as a whistle that value, since it is a relation between two commodities, or between one commodity, like gold, and all other commodities, is affected by anything which touches both of the things compared. If the conditions affecting corn change, but if nothing whatever has changed the conditions affecting gold, then the relation between gold and corn has been changed. That is, the value of gold relatively to corn has been modified, even though nothing whatever has affected the gold term. In other words, gold can go up in value relatively to corn, whenever corn is cheapened in cost, even though there is as much gold in existence as before.

"If this explanation of value be kept clearly in mind, it will be easy to see why a government stamp on money cannot fix its value. The stamp, certifying that a gold coin contains 23.22 grains of pure gold, is not all that is needed to give to the gold an exchange value; nor is it even an essential. Gold would have a value even if it were never stamped. The stamp is only a convenience to save weighing and assaying at every use of gold. The important thing, however, is the quantity of things for which gold will exchange. How does the minting of gold change the value of gold in the world? The value of gold can be modified not merely by causes affecting the supply and demand of gold, but also by causes affecting the cheapness and dearness of all goods exchanged for gold. If goods are generally cheapened in cost, that means that gold buys more goods, or prices fall; but it does not imply that gold has been limited in quantity. For the cause changing the value of gold did not concern gold at all. Then, if the value of gold, which is its relation to other goods, may be changed by fluctuations in the cost of these other goods, how can a government regulate the value of gold? It is impossible for a government to govern the varying costs of commodities in general; it cannot say that goods shall be made this year at higher cost of production, and next year at lower cost of production. Hence it cannot possibly control the value of gold.

"The difficulty in trying to control the value of gold and silver becomes more apparent, then, the moment we consider what value is. Since it is a ratio to other goods, the value of gold can be controlled only by governing all the conditions of supply of and demand for gold, and all the conditions touching cheapness or dearness in cost of producing goods. To attempt to control all the conditions affecting the processes of production is absurd. And to suppose that merely minting gold does this is still more absurd. But to attempt to control all the conditions of supply of and demand for gold itself is quite as impossible for any government. For instance, how could any government foresee and control the production and supply of gold which suddenly came into knowledge with the discoveries in California and Australia about 1850? How, also, could we foresee the astonishing increase of the gold product now going on in the African mines? This product has recently increased the total product of the world until it has reached a greater amount annually than ever before in the history of the precious metals. It is evident, at once, that, even on the gold side of the comparison, there are conditions of tremendous importance to the value of gold wholly outside the control of any governmental legislation."

On June 11, in the introductory to another article, Mr. Laughlin said:

"It might be supposed that when a government fixed upon a metal like gold as the standard of payments, made it a legal tender and gave it free coinage, that it had created for it what 'Coin' calls an 'unlimited demand.' This is a point that deserves discussion.

"Already careful examination has shown how impossible it is for a government to control the value of a metal by selecting it as the material of money. It has become perfectly evident that no state can control the exchange relations of goods in general, with all their complicated conditions of production, as over against one metal, like either gold or silver. That goes without saying. But that is a large matter affecting the value of gold.

"And yet it must seem natural that if a government adopts gold as a legal tender and gives it free coinage it creates such a demand for it as to permanently regulate its value. This is certainly a mistake."

It will be noticed that Mr. Laughlin persists in leaving out "supply and demand" as factors in determining the prices of goods and commodities. But he is careful not to give the cause of the recent rise in the price of wheat.

The "basic fallacy" upon which present monetary systems are built is the assumption that the present value of gold is real, actual and natural, rather than artificial and fictitious, the result of monetary legislation.

Look at the facts. It is stated that there are something like 200,000,000 ounces of gold in the world in the form of coined money, and an unknown quantity in the shape of gold plate, jewelry, etc. The annual product for the past ten years has averaged about 6,000,000 ounces, about one-half of which has been used "in the arts." If gold were demonetized, as silver has been, and coinage privilege denied to it by the principal nations of the earth, what would gold be worth with fifty years' supply on hand and an annual production twice as large as the commercial demand for it? The gold dollar is essentially a "fiat" dollar, and all talk about "parity" and "ratio" is unmeaning and absurd, so long as we balance against each other two metals, only one of which has a fiat or legal and arbitrary value. There can be no natural ratio between two metals occupying an unnatural relationship to each other.

But not only is it not true that "the stamp of the government upon a gold coin does not make its value," but the stamp of the government, impressed by virtue of coinage laws, makes a gold coin the value itself. We compare, differentiate and express all values in terms of one, ten or fifty dollars, as the case may be. Not so, however, with the quantity of metal coined into a gold dollar. We do not say of it that it shall be worth $1, but that it shall be $1, and this privilege of being converted into a dollar we confer upon every 25.8 grains of standard gold not demanded for use in the arts; with the result that no gold can be obtained for use in the arts for less value, so that millions of gold coins are annually melted and used in arts. Having thus not given 25.8 grains of standard gold the value of $1, but constituted it the dollar itself, we proceed to measure the value of all other commodities, as guaged by the law of supply and demand, with the gold dollar thus artificially created by the fiat of law.

The grotesque absurdity of the metallic fallacy can best be recognized in an attempt to measure the value of a commodity in its own terms or by itself. Under our coinage laws we declare by fiat of law that 25.8 grains of standard gold shall *be* one dollar, and then gravely assert that 25.8 grains of gold are *worth* one dollar. This is simply equivalent to saying that a dollar is worth a dollar. Imagine us essaying to prove the worth of a bushel of corn by saying that it was worth a bushel of corn. And yet that is precisely what we do in the case of the gold dollar. 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 that of 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.

The mind of the average plutocrat is fearfully constructed and wonderfully made and its workings are past the comprehension of finite wisdom. With the object lesson that wheat has recently afforded staring him in the face, and in spite of the fact that rumors of a badly damaged crop almost doubled the price of wheat, Mr. Laughlin does not consider supply and demand as factors in affixing commodity prices.

By the way, an illustrative argument can be based upon wheat and its price that ought to cause even Mr. Laughlin to blush with shame and confess that the government's stamp on gold fixes its value. It is almost universally claimed, and Mr. Laughlin will concede, that the price of the entire wheat crop of the United States is governed and controlled by the import price, in England, of the exportable surplus, such price being fixed by the surplus supply of foreign wheat available for her importation, the demand for consumption of her own people and the value of gold money within her borders. Now suppose, for the sake of argument, that the English government should make an offer, by law, good for five years, of two dollars a bushel for all wheat brought to England. Would not all wheat, everywhere, at once become worth two dollars a bushel, less the cost of transportation to England? Just so, also, with gold. The bank of England, by the terms of its charter, is compelled to pay a certain price in money for all gold offered at its counters, while other nations do the same identical thing by virtue of their coinage laws, whereby every ounce of gold not required for the arts has imparted to it a certain and invariable monetary value.

The same argument applies to silver under free coinage. If silver were rehabilitated and unrestricted coinage privileges accorded to it the world over, at a ratio of 16 to 1, every ounce of silver would at once become worth $1.29, because, as is the case with gold, it would become the measure of its own value. The rule is this: When unrestricted coinage privileges are accorded to a metal and a certain monetary value is given by law to a given quantity of such metal, the commercial value is merged into the monetary value and the total output of such metal acquires and commands the monetary value into which it may freely be converted by taking it to the mint.

The truth which the money power is anxious to hide beneath a veil of secrecy is that the true money value is quantitive, not intrinsic—dependent upon the number of money units in circulation, not upon the material of which such units are composed. If, then, the abstract "unit of value" be the gold dollar, see to it that the volume of full legal tender money units is sufficient to maintain prices. Each additional issue of legal tender, paper money units decreases the value of the gold dollar, provided such money, so issued, is inconvertible and not redeemable in gold, or is in excess of gold held in the treasury for its redemption.

GEORGE C. WARD.

—A lie will die from neglect sooner than in any other way. The only reason why some lies grow so large is that everybody pets and feeds them.—People's Record.

—Every free silver man can find rest and peace in the people's party. From present indications he can find neither elsewhere.—Butler (Mo.) Union.

William Cullen Bryant.