Intrinsic Value.

It is a Term Invented to Fasten "Bond" Slavery Upon the Masses.

Legislative Limitation and demonetization of gold the only way of escape.

By HON. WM. M. STEWART.

THE PROBLEM OF MONEY.

The word "value" is the stumbling block in monetary science. The advocates of the gold standard contend that "value" is intrinsic and consists of the qualities of a thing which render it useful. The economists who assert that, other things being equal, the quantity of money in circulation determines the purchasing power of each dollar or other unit of money define the term "value," when used in monetary science, to be the comparative worth of property exchanged as estimated by buyer and seller in the consummation of a contract of purchase and sale.

INTRINSIC VALUE THEORY.

If "value" is intrinsic and adheres in money, the quality of the material of which money is made is all that need be considered. The intrinsic quality of gold is always the same and its value, if intrinsic, must be the same now as it was in the beginning and as it will be to the end of time. The entire argument of the "intrinsic value" school may be stated as follows: The value of gold is the intrinsic quality of gold itself. The quality of gold can never change; therefore, the "value" of gold is always the same. If we admit the premises, the conclusion is inevitable.

If all the rocks could be converted into gold, an ounce of gold would be worth just as much as it now is. Under this theory gold is the true and unchangeable measure of value of all other things. A gold dollar would buy no more if there was only one gold dollar in existence than if there were ten thousand millions of such dollars, because the intrinsic quality of gold (which determines its value) would be the same whether the quantity were great or small.

The legislation of United States and Europe for the last twenty years has been on the intrinsic value theory. Silver was demonetized and more than one-half of the metallic money of the world rejected on the theory that quality alone determines the "value" of money. If this theory be correct, why sell bonds and buy gold? Is not the quality of gold we now have the same as the quality of the gold which it is proposed to buy? Is not the proposal to buy more gold an admission that quantity is an element in the value of money? How can such an admission be harmonized with the policy of the legislation of the extra session and the mandates of the London and New York syndicate?

The goal of sound money (according to the authority of the President and his advisers) has been reached, and every gold dollar is as good as every other gold dollar of the same weight and fineness. No poor laboring man can now be defrauded because his gold dollar is not just as good as the gold dollar of his rich neighbor. The demand for good money, so urgently pressed by the gold kings in behalf of labor, has been answered by appropriate legislation.

Why should the laboring man complain? Have not the gold press, the executive, the ex executive and all the gold advocates on both sides of the Atlantic yielded to the demand of labor for good money? Why should not the gold advocates be astonished at the dissatisfaction of the starving millions of the unemployed. What right have the masses to complain of starvation while the money in the banks is dear gold? Why should the advocates of sound money tolerate legislation to increase the supply of money in rssponse to the false and exploded idea that if there were more money more people might get some of it?

An increase of the quantity of money would not improve its quality, but it might enhance the danger of its distribution among the masses.

Why should the gold advocates be annoyed after they have spent so much money and time to secure legislation to make money good and dear? Why should not every good citizen be thankful because no money except good money exists in coffers of the rich? What a debt of gratitude (in addition to other debts) the wealth producers of this country owe to the money chagers of London and New York for removing all money out of the reach of all producers to prevent loss by shrinkage of the value of money in their pockets? What a consolation it must be to all true patriots to know that there is now no money but good money and that all good money is in the safe keeping of the gold combine where the touch of the common herd cannot contaminate, defile, nor mar its shining beauty?

The "intrinsic value" theory, if true, is a full justification for the demonetization of silver; for if quantity has nothing to do with the value of money there was no use for the four thousand millions of silver coin in the world.

Is this bill reported from the finance committee to increase national bank circulation consistent with the intrinsic value theory? Will the intrinsic value of national bank notes be any greater than that of gold? What excuse can be given for putting out more national bank circulation if quality without regard to quantity is the only requisite of good money?

The "intrinsic quality" of money has not been impared by the rejection of silver. Why should the money function of silver be restorted? Why mine more gold? New gold will not improve the quality of the gold we have. Why object to the absorption of gold in the arts if the intrinsic value of what remains will not be affected by a reduction in quantity?

THE QUANTITIVE THEORY.

The school of economists who believe that the quantity of money in circulation, other things being equal, regulates the value of dollars or other units of account, learn from the street corners that the "value" of a thing is what it will fetch. Inasmuch as there must be a buyer and a seller and a contract of purchase and sale before an article can fetch anything, the definition already given fits the case. I repeat, "value" is the comparative worth of property exchanged, estimated by buyer and seller in the consumation of a contract of purchase and sale.

"Value" neither adheres in, nor, pertains to, any one thing. It is a comparison of the desirability of two or more things. Such comparison is an operation of the mental faculties of the buyer and seller resulting in an exchange of property for property, no matter what the property exchanged is. It may be money, services or commodities, but an estimation of the relative worth of the things exchanged must be made before the contract is consumated. Every actual transaction forms some basis or guide for estimates of what would probably be the exchangeable value for other articles or services in a contract of barter or in the selling price of commodities in money.

Price is a synonym for "value," and commercial price is also the comparative worth of property exchanged as estimated by buyer and seller in the consumation of a contract of purchase and sale. The difference between "price" and "value" does not arise from any essential difference in the meaning of the terms but from a difference in their application. "Value" is applied to money and "price" to the exchangeable worth of commodities into money.

There are two conditions precedent to either "price" or "value." There must be a demand and a limitation of quantity. If there is no demand there can be neither commercial value nor market price. If the quantity is unlimited, like the air we breathe, and the the thing desired can be obtained in unlimited quantities, without money and without price, then there can be no comparative worth of property exchanged to be estimated by buyer and seller in the consummation of a contract. But when demand and limitation of quantity exist, the value or price is determined by the supply and demand.

All property for sale is a demand for money. The demand for money is, therefore, equal to the demand for all other things, and is always a maximum demand. The aggregate of property for sale is not only the total demand for money but it is also the supply of property, and all the money in circulation is both the demand for property and the supply of money. A reduction of the volume of circulation diminishes the supply of money and (the demand remaining the same) enhances the value of each dollar or unit of money. An addition to the circulation increases the supply of money and (the demand remaining the same) reduces the value of each dollar or unit of money. Conversely, a reduction of the amount of property for sale (the volume of money remaining stationary) increases the general price of property. An increase in the property for sale (the volume of money remaining the same) reduces general prices.

The demand for everything except money is limited. The demand may be greater or less than the supply. If the demand be greater than the supply, the price of the commodity will rise above the general level of prices; if less than the supply, the price of the article will fall below that level.

A variety of causes affect the relative price of commodities and also their relative value in money. But fluctuations in the demand and supply of particular articles do not affect the aggregate demand for all property for sale or the aggregate supply of the money in circulation, because as we have already seen, the property for sale and the money in circulation are reciprocally the demand and supply of each other. When the aggregate of all the property for sale and the volume of money are stationary, the general level of prices will also be stationary.

If the property for sale increases in quantity and the volume of money remains the same, general prices will fall. If the aggregate of property is stationary and the volume of money is increased, general prices will rise. If the increase in quantity of property for for sale and the increase in the volume of money are equal, general prices will remain stationary and stability in values will be maintained, which is the end and aim of monetary science. We have already seen that the value in the aggregate of money in circulation is measured by the aggregate of property for sale. The property for sale remaining stationary, the value of money in circulation will be the same whether the volume of circulation be large or small. It makes no difference what number of dollars, or units, may be required to make up the volume of money in circulation, the value in the aggregate will be the same so long as the total amount of property offered in exchange is neither increased or diminished. What part of such aggregate demand one dollar will be depends upon the number of dollars into which the circulation is divided. Hence, the value or each dollar depends upon the number of dollars in circulation. Any increase or decrease in the property for sale (the volume of money remaining the same) will increase or decrease the value of each dollar or unit of money.

Hence, the increase of property for sale and the decrease in the volume of money produced by the demonetization of silver are the cause of the decline of general prices about 50 per cent. in the last twenty years.

When money is increasing in value and prices are falling, everybody seeks investment in money or bonds or other credits which are money futures. When prices are rising, everybody seeks the acquisition of or investment in property. In other words, when money is rising and property falling everybody desires to go long on money and short on property. When prices are rising and the value of money falling, everybody desires to go long on property and short on money. Individuals cannot create money and can only go long on money by the acquisition of money or bonds and credits which are money features. Individuals can acquire property both by labor and be investments. No wealth can be produced by going long on money. All wealth is produced by going long on property by the use of labor.

The value of money depends, as we have already seen upon the volume in circulation, which is now fixed as we shall hereafter see, by legislation. If legislation would supply a sufficient volume of money to take away the profit of going long on money and would thereby encourage the accumulation of property every willing hand would find employment and wealth and prosperity would increase.

I am aware of the fact that habit of thought, education and prejudice attach much importance to the precious metals without examining what, if any, necessary functions they perform. The conversion of either metal into money withdraws it from use as a commodity. It cannot be employed as money and at the same time used as a commodity. The use of it as money deprives it of use as a commodity, and the use of it as a commodity deprives it of its money functions.

The use of gold and silver in t