

PER CAPITA MONEY.

Do Prices Depend Upon Amount or Upon Kind of Money?

Facts Which Will Help to Dispel the "More Money" Delusion - Some Posers for the Silverite Professors Who Are Conducting the "National Financial School" - Why Are Prices High and Per Capita Money Low in Silver Standard Countries? - Should Deposits in Banks Be Included in Estimating Amount of Money Which Affects Prices?

One of the numerous fallacies upon which the free silver delusion is founded is the assumption by all silverites and cheap money advocates that prices are regulated by the amount of money in circulation and that there is any necessary relation between prices and amount of money. When driven from one position the bimetalists take refuge in another just as insecure and illogical, but perhaps a little more hidden by sophistry. The more enlightened among them do not now assert that to double the amount of money is to double prices. They generally admit that the rapidity of circulation and the use of credits affect the efficiency of money and prevent an exact statement of the relation between amount of money and goods, but that more money undoubtedly means higher prices, and vice versa.

The per capita idea of money so prevalent with silverites is disproved in many ways. Statistics of prices and amounts of money per capita in use in different countries at the same or at different times fail to show any certain relation between prices and money. Thus, while prices have declined in the world and in this country very greatly since 1809 or 1852 or 1872, the amount of money in use has increased enormously. From a per capita circulation of \$4.99 in 1800, \$14.63 in 1852 and \$18.19 in 1872 we now have one of \$23, and this notwithstanding the greater rapidity of circulation of modern dollars and the vastly improved and extended use of credits. Will some "more money" advocate please explain this great fall of prices in connection with the great increase in per capita money.

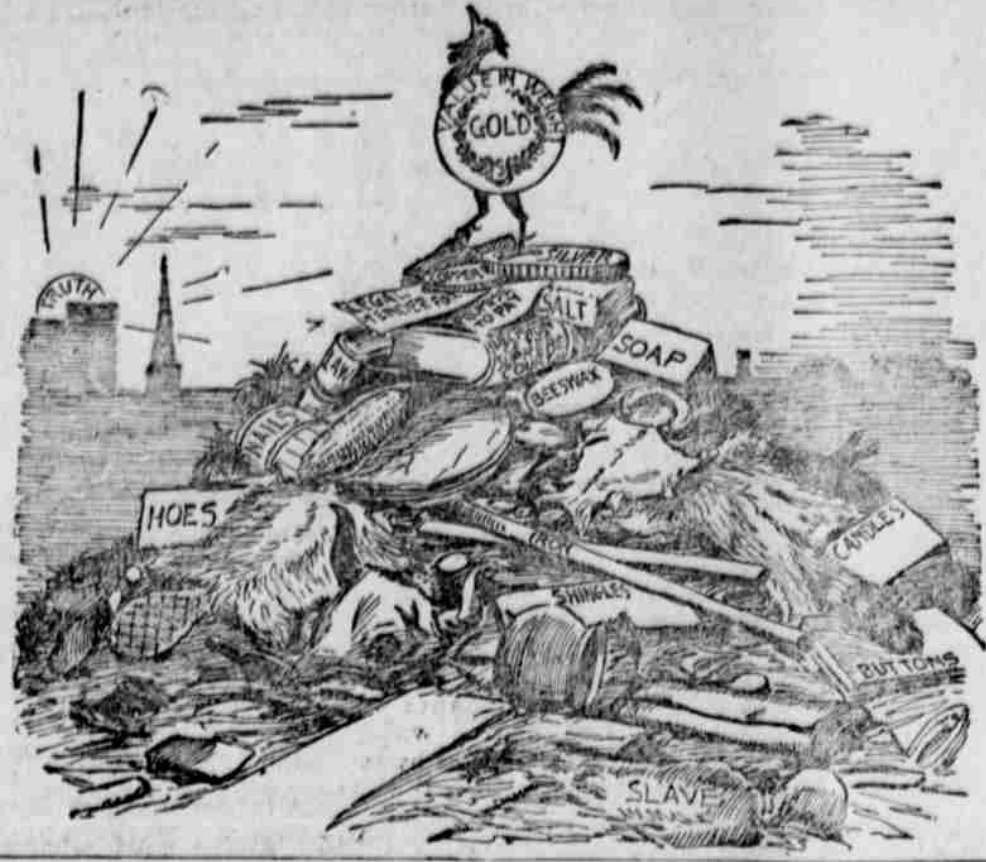
Again, the per capita circulation of the gold standard countries of the world is about \$18; that of the silver standard countries only about \$4.30. Will some of the silverite professors who are conducting "financial schools" in western and southwestern states explain to their classes why prices in silver standard countries are about twice as high as in gold standard countries, although the per capita circulation is less than one-third as great? Will they explain that the value of the material from which the money is made has much more to do with the prices than the amount of money in use? Will they tell their classes that gold has always been more valuable, weight for weight, than silver, and that it has recently become 33 times as valuable while most of the coining ratios of the world were established when gold was only 15 or 16 times as valuable as silver? Will they then explain that the value of both gold and silver bullion is fixed in the long run by the cost of production and that therefore the value of bullion does not depend upon the quantity of money in circulation?

Will they try to make it clear that if it takes five hours of labor to produce a bushel of wheat and five hours of labor to produce 23.22 grains of gold one product will exchange for the other—that is, the price of wheat will be \$1 per bushel under our present standard? Will they then add that if it requires only 2½ hours' work to produce enough silver (37¼ grains) to make a dollar that the bushel of wheat will not exchange for less than two silver dollars, and that this is the reason why prices are higher in silver standard countries? Will they explain the original "American financial policy," which was to keep the coinage ratio as close as possible to the market ratio? Will they ask the members of their classes to vote to restore this "thoroughly American financial policy?"

If the corps of silver professors and cheap money statesmen who are conducting the "national financial school" fail to answer the preceding questions, perhaps they are willing to explain what kinds of money are included in making up the amount of money which affects prices. Does it include all kinds of government or state paper money, as well as gold, silver and copper coins? Does it include bank notes, which form a considerable proportion of our present circulating medium? If you include government and bank notes, why not include bank credits? Are not more exchanges and greater exchanges effected by means of checks than by means of either paper money or coins? Is it not as easy for one who has "credit" (deposits) in a bank to buy and sell as if he had money in his pocket? Do these credits or deposits necessarily consist

SURVIVAL OF THE FITTEST.

[Adapted from Nast's cartoon in "Robinson Crusoe's Money."]



of money at all? If a man has that amount of property, can he not have \$1,000,000 credit with his bank on which to draw checks at any time? Cannot such a man buy and sell on a large scale without the use of ordinary money? Why, then, should bank deposits not be included in making up the per capita circulation of the country?

When the classes of the "national financial school" can pass an examination in these "per capita" questions, we will prepare a set of questions on other subjects, as, for instance, the cause of high and low interest rates, the advantages of high prices, the blessings of cheap money, etc.—Byron W. Holt.

Important Business.

"Appoint your committees, Mr. Reed, and let your house go to work," advises the Chicago Times-Herald (rep.). "Two great subjects are now pressing upon the house for consideration. One is the bankruptcy bill and the other is currency reform."

WHAT IS MONEY?

Clearly Explained by a College President at a Farmers' Convention.

The following is part of the synopsis printed by the Milton (Wis.) Journal of an excellent address by President Whitford, of Milton college, before the farmers' convention at a recent meeting at Milton. It contains some very lucid statements of money and of the power of governments to fix value:

First.—Two separate and distinct values are assigned to money, one being the intrinsic or market value of the article used; the other the legal or face value, indicated by the stamp or device pressed upon the article. In some well known instances what is popularly called money has only one of these values.

Second.—The common practice of tribes and nations in selecting such articles or commodities for money is to adopt two kinds or grades of them, one having greater market value according to its weight, for use in the larger exchanges in trade; the other having lesser value, for the smaller exchanges. This practice furnishes the first essential condition for a system of bimetalism.

Third.—Only that money is basic and widely and permanently used which is made of precious metals, very generally gold and silver. Other and perishable commodities are finally abandoned or held redeemable in these metals.

Fourth.—The market value of these metals, not their face value, constitutes the original and continuous quality by reason of which they are almost universally accepted as basic or primary money. Government or custom can add a quality, not inherent, but temporary, to such metals and other articles used as a medium of exchange. But the real measure thus declared to be effective and lasting must be the one established by the laws of trade, not by the edicts of government.

Fifth.—Government itself cannot fix or control the market value or price of any metal or other commodity, whether used as money or in the practical arts. So it cannot make fiat money and compel the people to circulate it a great length of time as money of any sort.

Sixth.—Any coins or other money whose market value is less than their face value always soon expel from circulation all coins or other money whose market value is greater according to their weight, unless the former are redeemable in the latter. Whenever a coin shows even a slight inferiority of its market value to its face value, it tends at once to crowd out of use even a coin whose two values are equivalent.

Seventh.—Gold has been adopted by the principal civilized nations as primary money or the standard of values because of its greater market value, its less weight for a given sum of money and its least fluctuation in market value of any of the precious metals.

Eighth.—Coins like silver, whose market value is less than their face value, can be kept circulating at the same time with gold coins even in somewhat large amounts only by being redeemable in the same denominations with the gold. The same is true of paper money, which has no appreciable market value.

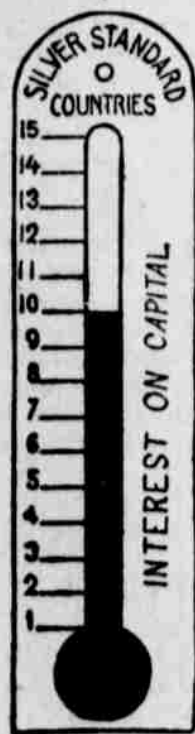
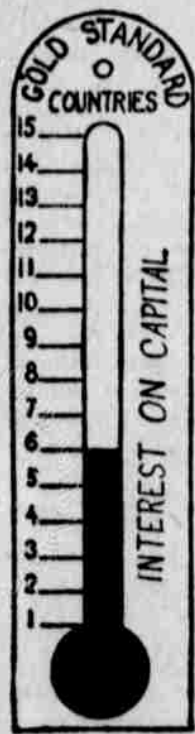
THE INTEREST BAROMETER.

Interest Rates Are Lower in Gold Than in Silver Standard Countries.

It will pay silverites who want cheap money—that is, money at low rates of interest—to study the rates of interest charged in gold and silver standard countries and to compare the average rates of interest on certain classes of loans in sound money states, which never favor repudiation, and in states which favor free coinage and which sometimes favor repudiation of debts. It is difficult to get exact figures of interest rates in different states and countries, but the statistics obtainable are not favorable for the farmer who votes for free silver with the expectation that it would enable him to borrow money at low rates of interest.

According to the last census, the average rate of interest on farm mortgages in 1890 was 7.30 per cent. The rate has undoubtedly declined since then, except, perhaps, in certain states which are voting and legislating against capital. The rate is also higher than on most other classes of securities. It is probable that the average rate of interest in this country is now considerable less than six per cent. In England, France, Germany and many other gold standard countries it is undoubtedly less than five per cent. We have, however, put the rate on the barometer at six per cent.

In Mexico, Central and South American countries and in most other countries on a silver basis the rates of interest will probably average more rather than less than ten per cent. Statistics on ordinary loans on farm mortgages are not available for comparison in these countries. Perhaps the most available are those prepared by Prof. Irving Fisher and published in August, 1896, by the American Economic association. These show only market or bank rates of interest in London, Berlin,



Paris, New York, Calcutta, Tokio and Shanghai for a series of years, and of course these are far below the average rates. Prof. Fisher finds that the average bank rate of interest from 1875 to 1879 was 3.8 per cent. in the four gold standard countries and 10.1 per cent. in the three silver standard countries. In silver standard countries the rate had fallen but little, the average for 1870-4 being 10.7 per cent. In gold standard countries the rate had fallen over 25 per cent., or from 5.2 in 1870-4. These facts tend to show that there is some good reason why interest is lower in gold standard countries. They are confirmed by the further facts that many large loans and some small ones made in silver standard countries are made payable in gold and at rates of interest far below those prevailing. One of the alleged reasons why Japan has changed from a silver to a gold basis is to obtain lower rates of interest on loans which she wished to negotiate.

There is more in this subject of cheap money than some silverites dream of. The best money is, in fact, the cheapest. If the borrower thinks otherwise, let him have his cheap money and pay the increased rates of interest charged for it.—Byron W. Holt.

There is a Wrong Way AND A RIGHT



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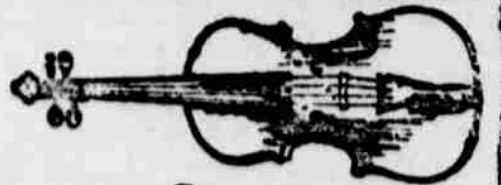
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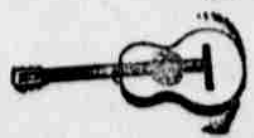
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