

the precious stones; the early Egyptians made use of seeds called carats, which were obtained from a certain kind of plant and adapted to the purpose because of their general uniformity. As civilization advanced and industries grew more numerous and commercial dealings became more diversified, the inconvenience of weighing the metals every time an exchange was made, and the difficulty of assaying and determining their genuineness by the people, led to the putting of a public stamp upon certain quantities of the metals to represent a certain value. Silver seems to have been the first of the metals so stamped, if we accept the conclusion of writers who have made a study of numismatic matters, by a Grecian king, Pheidon of Argos, B. C. 869. To Lydia, an ancient kingdom of Asia Minor, is credited the distinction of having been the first to coin gold, at a date subsequent to that when silver was first coined.

When two persons come together with articles to exchange by barter, the ques-

The Exchange of Commodities.

tion arises as to how much of one for how much of the other. If it were tea and coffee that were to be exchanged, and it was found that it took two pounds of coffee to buy one pound of tea, there would still be the question of how much sugar it took to buy either or both of the others, or how much flour for a certain amount of any or all of the others, and so on through the long list of articles that are of an exchangeable nature. But such inconvenience is avoided when some particular commodity is used, and when it is known that a certain quantity of some article, say 12 grains of gold, will buy a certain quantity of tea, say one pound, and that the same amount of gold will buy two pounds of coffee, or ten pounds of sugar, or twelve pounds of flour, the rate of exchange between these articles is readily known. And similarly of all things, the amount of which we know the certain amount of gold will exchange for. In this way, by estimating the value of all things in that of the particular thing as the unit, money performs the added function of a measure of value.

When a person makes a time contract to be settled at a future date, it is of the

Unfluctuating Currency.

utmost importance that the money paid in settlement shall have as much value as when the contract was made. Hence money also serves as a standard of value for deferred payments, to a better understanding of which it will be necessary to briefly consider what is value. The eminent English writer, John Stuart Mill, in his work on political economy, gives the general understanding of writers as to value in the following definition: "The word value, when used without adjunct,

always means in political economy, value in exchange."

The origin of value to a thing may be accepted as the desire of persons to possess it. To gratify the desire to possess a thing, people are led to offer other things in exchange for it. The rate at which the things exchange for each other represents the value of each, one with reference to the other. This serves to show that exchangeability is necessary to a thing in order to express its value. "And what does exchangeability depend upon?" says H. D. Macleod, in his Elements of Economics. "If I offer something for sale, what is necessary in order that it should be sold? Simply that some one else should desire or demand it. * * * The sole origin, source and cause of value is human desire; when there is a demand for things they have value; when the demand increases the value increases; when the demand decreases the value decreases; and when the demand altogether ceases, the value is altogether gone."

It may be said in brief that anything that is bought and sold possesses value, and the extent of its value is determined by what it will exchange for in some other thing, which is what is meant by value in exchange, and is made easy to understand by Prof. E. Laurence Laughlin in the following illustration: "The value of an ox, estimated in sheep, is the number of sheep for which the ox will exchange. If one ox exchanges for twenty sheep, an ox is twenty times as valuable as one sheep, or a sheep is one-twentieth as valuable as an ox." It is therefore well to remember that, as has been so well stated by Samuel Bailey in his dissertation on the nature of value: "The value of a commodity must be its value in something, and whenever the term is used with any definite meaning that something may be assigned."

So that anything that possesses value, a valuable, has the quality of measuring the value of any other valuable.

Ratio.

And when we speak of the value of anything we always mean its exchangeable value, that is, its estimate in some other thing of an exchangeable nature. The rate of exchange between the two would be their value in exchange, and is what we are familiar with in monetary discussions as the ratio of exchange. If the ratio between gold and silver is, say, 20 to 1, it means that it takes twenty ounces of silver to buy one ounce of gold, and that therefore gold is twenty times as valuable as silver, weight for weight, or that silver is one-twentieth as valuable as gold, weight for weight.

Value then being something that is measured, and anything that possesses value—a valuable—being capable of measuring the value of any other valuable, money being itself a valuable that everybody uses to make exchanges with, serves as a common measure of value,

and the value it has measured it transfers in its capacity as a medium of exchange. It does this by what we term the dollar, the unit and standard of value, which at present consists of 25.8 grains of gold .900 fine, or 23.22 grains of pure gold.

But paper and silver dollars have been found more convenient and desirable to the great mass of the people than the gold to make exchanges with, and are issued in different forms to a great extent instead, the government conferring upon each form such qualities as to give it circulation. Thus are United States notes legal tender for all debts, public and private, except duties on imports and interest on the public debt. Silver dollars are legal tender for all public and private debts, except where otherwise expressly stipulated in the contract. Treasury notes, act of 1890, are legal tender for all debts public and private, except where otherwise expressly stipulated in the contract. Subsidiary silver, half and quarter dollars and dimes, are legal tender to the extent of ten dollars. The minor coins of nickel and bronze are legal tender to the extent of 25 cents. Gold and silver certificates, not being legal tenders, are receivable for all public debts without exception. National bank notes, while not legal tenders, are receivable for all public debts except duties on imports, and are redeemable by the treasury or issuing bank. These are called representative or credit money, and the government keeps them at a parity with the gold by limiting their issue, so that their total amount shall not be in excess of the amount that is needed by the country for doing business on gold values.

The United States treasury department issues a circular (No. 143) giving information concerning the different kinds of currency issued by the government, and from it the most of what follows has been obtained.

United States Currency.

The issue of United States notes is limited to the amount (\$346,681,016) that were outstanding May 31, 1878, when an act was passed requiring that they be reissued when redeemed. They were first authorized by the act of February 25, 1862, when they were commonly called "greenbacks."

The silver dollars now in use are largely by the act of February 28, 1878, known as the Bland-Allison act, which directed the secretary of the treasury to purchase silver bullion at the market price to an amount not less than two nor more than four million dollars worth per month, to be coined into silver dollars as fast as purchased. The amount coined up to June 30, 1898, including about 83 million dollars since the act of 1890, was about 461 million dollars, of which about 57 million dollars were then in circulation, the remainder being held in the treasury against which silver