

SENATOR BAILEY ANSWERS 'BOB' MAXWELL

QUESTIONS AND ANSWERS

The following editorial appeared in these columns week before last. Senator Josiah W. Bailey and Robert R. Reynolds were mailed copies of the paper. Following the editorial which we are reprinting is Senator Bailey's answer:

SENATORS BAILEY AND REYNOLDS, THIS IS FOR YOU WHAT IS MONEY?

Some questions and statements for our politicians and statesmen to consider.

If our farmers and laborers are burdened with debt and many already bankrupt, with millions of laborers out of employment and nearly all of our institutions failing to function well for lack of funds, where is the money to come from to finance them? Is it not self-evident that there is an insufficient amount of money for our economic system to properly function? The money which we have is controlled almost completely by the big banks, and with the control of money they control labor and its products. Under this system we can never have real democracy and there is no such thing as equal opportunity of individuals to share in the wealth that is produced by labor. The elder J. P. Morgan said before an investigating committee that whoever controlled the money and credits of a country controlled its wealth. This was true then and it is true now. As the money power is and has been in control for a long period the wealth has gone into the hands of a few people. It is utterly inconceivable that four or five per cent of the population could ever own eighty or ninety per cent of the wealth except by class legislation. And the money monopoly is the greatest means ever devised by the brain of man to enslave and exploit a people.

The money question is difficult to understand because the beneficiaries of the system control most of the avenues of information and purposely keep it secluded as so to befuddle the minds of the people.

I want Senator Bailey and Senator Reynolds each to have a copy of this editorial blue penciled and I want them to answer through these columns the following questions. What is a dollar? Is it a natural or an artificial thing? Does it grow or is it made by man? If they grow do they grow in England or France or do they have dollars in those countries? Evidently they have money. If money is an artificial product who makes it? Does it have to be made by a die or can it be made by a printing press? Really Senators, it is not the substance nor the method but that which is put on the substance by the authority of the government which makes it money. Is not this so Senator Bailey? And if it is so how do you say "That one thing is sure government cannot manufacture money?" If it is not true Senators, please explain through the columns of this paper what is wrong with this reasoning and these statements.

If I cannot get sufficiently enlightened on this matter through our own Senators I shall submit this article to Senator Huey P. Long and see if he can shed any light upon this subject.

Respectfully,
R. G. Maxwell

Mr. R. G. Maxwell,
Contributing Editor,
The Duplin Times,
Kenansville, N. C.

Dear Mr. Maxwell:
I have before me the editorial signed by you and addressed to Senator Reynolds and myself under date of April 4th. You ask several questions which I will undertake to answer as follows:

1. What is a dollar? A dollar is a unit of the monetary system of the United States fixed by law until 1933 at 25.8 grains of gold, nine-tenths fine, and since that date as 15.20 grains of gold, nine-tenths fine.

This is a dollar. It is not manufactured money. It is a certain weight of grains of gold. The weight of grains of gold represents the dollar. It is not a dollar's worth because the weight referred to is determined upon as the unit of medium of exchange of commodities in the United States. Gold is worth the value independently of law. 15.20 grains of gold would sell for a dollar or purchase a dollar's worth of commodities or pay a dollar's worth of taxes even if not determined by law to be a dollar. The dollar, therefore, is based on the value of the grains of gold constituting it.

2. Your second question is, is it a natural or an artificial thing? My answer to the first question answers this question. A dollar is a natural thing in respect to its value or its purchasing power. It is an artificial thing in the determination of Congress that it shall be the unit of our currency, that it shall be the legal tender for all debt, public and private. Certainly the gold acquires a certain amount of value by reason of its designation as money or legal tender. This creates a demand for the gold. In this sense it has an artificial value by reason of its use as money. If we should create copper as a means of money or medium of exchange, this would create a fresh demand for copper and tend to lift the price and to that extent the value would be artificial in the sense that it is not inherent, but is added to by reason of the special use given it.

3. Your next question, does it grow or is it made by man? A

dollar does not grow nor is it made by man. It is made by man in the sense that the Congress determined 15.20 grains of gold to be a dollar or a standard unit in the exchange of commodities, but its value was not created by man except in the sense that man values gold more highly than he does most of the other metals. If men would cease to regard gold as valuable, it would have no value, but since they do regard it as valuable, it does have value. Oak leaves might be esteemed very highly by human beings, in which event they would become very valuable. In this sense their value would be created by the esteem in which they are held. However, gold has many uses to which it is put. By reason of these uses, it has a value all its own since it is put to the use of money, it takes an additional value by reason of this. In any event, it does not grow and to the extent I have stated it takes on a certain value by reason of the esteem in which it is held by man.

4. Your next question related to England and France, and you ask do they have dollars in those countries. The answer is they do not. Whatever dollars we may send to those countries are reduced to gold bullion, not to dollars, and they are reduced to gold bullion at the rate of 15.20 grains to a dollar. This is the foreign exchange. When we reduced the gold weight in our dollar from 25.8 grains to 15.20 grains, we enabled England and France to buy our cotton and tobacco at the rate of 15.20 grains to the dollar's worth, and therefore, our cotton and tobacco at once took on an improvement in price, the extent of the difference which is 40%. It was for this reason that I advocated the devaluation of the dollar in the first speech I made in the Senate. I did this because gold had taken on an abnormal economic value in forms of commodities and it would be impossible for our people to pay their debts or taxes, exchanging cotton and tobacco and other commodities for gold at this high and abnormal economic value. This was intended to arrest deflation and went for to prevent general ruin.

5. Your next question is, if mon-

ey is an artificial product, who makes it? My answer is that money is not an artificial product except in the sense I have stated. We stamp 15.20 grains of gold, but that does not make them worth a dollar because they will purchase a dollar's worth. They are the unit of value in exchange of commodities. They do have, as I have said, an artificial value in that they are by law constituted the medium of exchange, this creating a special demand for gold.

6. Your next question is, does it have to be made by a die or can it be made by a printing press? It is not made by a die nor is it made by a printing press. The value is there in the 15.20 grains of gold independently of the die of the Government. The money printed by the printing press is presumably exchangeable for a dollar in 15.20 grains of gold. The man who has 15.20 grains of gold unstamped can take it to the Government and have it made into a dollar or he can take it to a dealer in metals and get a dollar in currency. The value is inherent excepting as I said there must be some increase in the value by reason of 15.20 grains of gold being used as money.

7. Your next question is this "Really, Senators, it is not the substance nor the method but that which is put on the substance by the authority of the Government which makes it money. Is this not so, Senator Bailey?"

It is not that which is put on the substance by authority of the Government which makes it money. Suppose the Government should take oak leaves as money. This would not make them money. Suppose the Government should stamp pebbles that one might pick up from a branch as money. This would not make money of them. There must be value and the value must be substantial. The value must be such as to enable a man having a bale of cotton and, desiring a suit of clothes and a pair

of shoes and a dress for his wife, to exchange the cotton for the money and with the money to purchase the shoes, clothes and the dress. The heart of the whole thing is that there is value in the medium of exchange. It is true that the Government might say that one hundred million oak leaves should be equal to a hundred dollars, but they would be very difficult to handle and if a man exchanged his cotton for them he would have great inconvenience rather than convenience. Moreover, he would have great difficulty exchanging the oak leaves for shoes and clothes and a dress. So there must be value and there ought to be convenience. Gold has been adopted because it always has value and the value in normal times has been relatively stable, and since the value is in a very small package, very convenient. Silver might be made the unit of value. The main difficulty with silver is that it has become a by-product rather than a direct product, and it is bulky being of much greater weight than gold to the relative value. The whole subject revolves around value and convenience.

The exchange of goods began by way of barter. If a man had an abundance of corn in Egypt and desired to obtain a horse, he would have to find someone who had a horse for sale and who desired the feed which he had acquired. This was inconvenient and so men sought the means of exchanging their produce for something of stable value with a view to using that something in the purchase of goods which they desired. This quickly brought forth the ancient shekel, and a man having corn would seek a man having silver. He would exchange the corn for the silver and with the silver would buy a horse if he needed one. He could not possibly exchange the corn for some worthless article for if he did, he would never be able to buy the horse. Moreover, he could not afford to keep the corn because corn will sprout or weevils will get it. He simply

bought some substantial value into which he could convert corn with the view to buying a horse. The original word for money was pecunia, from which we get the word pecuniary. This word was derived from the Latin meaning flocks. Man first converted their goods into flocks and thereby purchased other goods. They found this inconvenient and they arrived at the idea of converting their goods into metals of value which would not deteriorate nor get sick or die, holding the metals against the day when they desired to purchase something. In this way they maintained the value of perishable goods in imperishable metals and in the course of the centuries, men sought to find the most convenient and most stable metals. After some six thousand years of history, they for the most part decided upon gold. Unfortunately gold has become now so precious in the sight of men that the Government cannot afford to pay it out because when a man gets hold of it he will not keep it in circulation, but will hide it. This is called hoarding and this accounts more or less for preventing the circulation of gold. It is hoped that as recovery may progress hoarding will subside, in which event gold will be paid for the paper money now in circulation. This together with the fact that the paper money is legal tender for debts and taxes and is recognized by our people as having value because of the ultimate expectation of redemption in value in the form of gold, accounts for the acceptance by the American people of our paper currency. It is not valueless because it is expected to be ultimately redeemed in gold. If we should get into our minds that it would not be redeemed, we would get rid of it by buying substantial things with it. However, we have in the Treasury eight billions of gold dollars. You may be interested to know that these dollars are not stamped. They are in the form of gold bars. We call them eight billion dollars because they

are worth eight billions of dollars, not because they are stamped for they are stamped. We have in circulation about \$5,200,000,000. There is in the Treasury \$8,000,000,000 of gold with which to redeem \$5,000,000,000 in round numbers, and this gives us a sense of security with respect to our paper money. But for this sense of security, we would have what is called the flight from the dollar, that is every man getting hold of a paper dollar would seek to put it off on the next man for something of lasting value.

8. Your next question is "And if it is so how do you say that one thing is sure Government cannot manufacture money?" I say the Government cannot manufacture money because the Government cannot create value. It may order a certain number of desks for the Government and add to their value by reason of the demand, but after all, the desk has a value all its own independent of the Government demand. It may agree to buy a certain amount of gold by reason of the agreement giving some added value to gold, but the base of the whole matter is that gold has an inherent value all its own independent of anything the Government may do about it. Its value exists in the minds of men.

Let me say to you in conclusion that if the Government should undertake to manufacture and circulate money in the form of paper that had nothing behind it, every body in America would be ruined in a short time. This was done in France and it ruined France one hundred and fifty years ago. It was done in Germany within the last fifteen years and it ruined Germany. Every forty or fifty years someone gets the notion that people may get rich by reason of the Government printing money and distributing it. They would get rich just as quick by standing under an oak tree in the autumn and gathering the leaves as they fall. Money in order to be a medium of exchange must have

value. The value must be realizable upon demand and the value ought to be stable.

At the present time, most of the nations that were on the gold standard, that is paying out gold on demand for their paper, have either modified or abandoned the gold standard. This is because gold had attained an abnormal value and had lost its stability. Devaluation or reduction of the weight of the gold in a dollar was necessary. Now that the world is so largely off the gold standard, the question is to find a sound and constant and convenient medium of exchange with a value that does not vary or that varies as little as possible, but certainly no man in his senses is seeking to create a valueless currency. A valueless medium of exchange is an inconceivable thing. To go back to my illustration, if I have a lot of corn and expect to buy a horse and cannot find one at once just the horse I need, I must find something of value for which I must exchange my corn and the value must be a steady and reliable value, so that I may keep it until the time comes when I find a horse that suits me. Or to make another illustration, if I do a day's work, I do not wish to be paid in food. I may have some food in the pantry. I wish to be paid in something that will purchase food when I need it. So I accept from my employer not something of no value, because if I did, I would not be able to buy food. I accept from him a paper dollar convertible into metallic value or a metal dollar with either of which when I get ready to buy food, I may buy equal to the value of the labor which I did for my employer. In my view there must be convenient reliable value redeemable in specie on demand. Otherwise money could not by any means fulfill the mission at the medium of exchange either of commodities for commodities or labor for groceries.

Most respectfully yours
JOSIAH W. BAILEY

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