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Management Necessary Whatever the Money Material

This article is answering an argument against inflation of the currency published by Garet Garrett in the Saturday Evening Post of November 4. That article is based upon the assumption that money is a mere measure of value. Mr. Garrett's argument and illustratons based upon that premise are puerile.

Buyers do not exchange yardsticks for cloth, bushel measures for wheat. One yardstick in the hands of a merchant will measure a thousand bolts of cloth. The man who would buy five yards of cloth at a dollar a yard must himself have five dollars and pass them over the counter.

About Varying Units of Measure

Mr. Garrett scorns the idea that busness may be improved and prosperity restored by merely calling a half-yard a yard. He insists upon the necessity of an invariable measure. So much importance is attached to the maintenance of an invariable yardstick that the standard yardstick is preserved in a glass case at Washington as if a treasure. But the gentleman is as blind to the fact that extraneous influences may cause a variation in the length of t h a t s t a n d a r d yard-stick as he is that money is more than a measure of value. In Paris, the standard merer measure is similarly preserved. But it has been decreed by government that the standard meter unit is acceptable as a measure of length or distance at only a definitely specified temperature.

Heat that standard meter to a white glow and it would be false: chill it to 100 degrees below zero and it is false. Yet not one iota of change has occurred in the quantity or the quality of the material of the measure. Accordingly, to possess an invariable measure of value, Mr. Garrett must look to more than the quantity and the purity of the gold, say, of which his unit is composed. He must guard against extraneous influences which as truly produce variations as the degree of temperature affects the variableness of the standard meter stick. Management is required. Maintaining that meter measure at the prescribed temperature is absolutely an act of management, a management decreed by the very same authority that decreed the unit itself. And if a more exact and invariable measure of length than that chosen by the French government for the meter should be discovered, or a more convenient length, the same managing authority could decree its use. Mr. Garrett is right. Invariableness in a measure is altogether desirable and essential. All accidental influences affecting its integrity as a measure must be eliminated. But the gentleman fails to see that it requires management to maintain the invariability and not a mere dependence upon the material of which it consists.

Money More Than a Measure of Value

Grant Mr. Garrett's assumption that money is a measure of value. Yet money is more than that. It is at least a representative of value. The government has decreed that the dollar is, in effect, a mortgage upon any vendible article to the extent of the value the dollar represents. It is a legal tender for both debts and vendibles, in the domains of the government authorizing its issue. Yard sticks are not.

"Sound" money exponents such as Mr. Garrett, contend that money, per se, must possess value and that its legal tender value and its intrinsic value should accord. Yet they insist only that the amount of money material in the unit shall be invariable, not the value of it. President Roosevelt, on the other hand, is seeking, just as did the French government in respect to a convenient and invariable unit of length, a convenient dollar value first, and then its maintenance at that value, which is certainly quite a different thing from that urged by Mr. Garrett, as the following considerations will show.

Use of a Material for "Sound" Money Controls the Supply and Demand For that Material

There is no need for an argument of the question of the validity of the law of supply and demand. It stands. Yet the very use of any substance scarce enough to be used as a "sound" money material develops its demand by that very use. Utterly demonetize gold forever and tomorrow men would be hawking gold dollars for silver ones. Not only is the real value of gold controlled by the supply existent but by the degree of hoarding of that supply. The Kimberly Diamond Company has maintained the price of diamonds by withholding from the channels of trade great quantities of South African diamonds. Gold, like diamonds, is readily hoarded, monopolized, or cornered by those whose interest it is to maintain a high price level for it in terms of any other commodity or of service. That would be true even if gold were not a money metal.

But wherein the demand for gold is particularly divorced from the natural law of supply and demand is in the fact that its very use as money, the supposed invariable measure of values, creates an artificial demand for the metal. Thus the money metal has the power to lift itself by its own bootstraps. But that is not all. Its use as money makes it a more fit substance for hoarding and for manipulation. If using half the gold supply as money raises the value of gold by increasing the demand, using three-fourths of the supply would still further increase the demand and lessen the supply, again raising its value. Unfortunately, even in America, the volume of gold used as money and of currency supposedly based upon gold has been subject to manipulation by the monopolists of the metal and by private agencies intrusted by the government with the issue of the currency.

Withholding of gold money, or the currency based upon gold, from circulation through a monopoly which can be broken only by means of loans upon the monopolists' own terms is as effective in increasing the demand for gold and raising its comparative value as the absolute non-existence of that gold would be. When Joseph hoarded the wheat of Egypt, the price went sky-high. Men even sold all they possessed and enslaved themselves and families for the minimum required by necessity. The supply, and therefore the price, was controlled not by the supply of wheat existing but by the will of the lord of the wheat. Americans have been as effectually poverty-stricken and enslaved by the money lords.

The insufficiency of production during the seven barren years to supply the demands of the population, constantly increasing, gave Joseph the power to enslave Egypt, which power, it is regrettable to say, he did not forbear to use. Similar conditions have given the money controllers the same power over the American people. They have used it as relentlessly as did Joseph.

The Task of Management

One little precaution is all the control needed to maintain the standard meter measure at an invariable length. But it is clear that dozens of control measures are necessary to maintain a measure of values at an invariable standard. And the more precious the money material the more management is necessary. On the contrary, a money that possesses no intrinsic value but only represents value, may be regulated through the simple process of accommodating the supply to the demand at the point of value in terms of the average price of a number of staple commodities. That much has to be done in case the money material has intrinsic value, and forty other things besides. Accordingly, it would seem that the easier way to maintain an invariable, or approximately invariable, measure of value in the form of money, is to discard intrinsic values altogether. Gold by weight and purity might still be used in trade, but only upon a barter basis. It would not have the advantage of being able to lift itself by the very force of being stamped as money. Like wheat, cotton, and other commodities, it would be governed truly by the law of supply and demand.

Examples of the Inflation of "Sound" Money.

There was a distinct inflation of money when the gold mines of Alaska and of South Africa were in flush. There was a distinct inflation of money during the war period. The value of even the gold dollar was cheapened. The best criterion of value is the cost of replacement. On that standard, a gold dollar would not have hired the mining of the material for another in 1919. Gold mining was almost discontinued. Last year a dollar bill, and only recently one of the "cheap" American dollars, would pay for the mining of the material for a gold dollar from the abandoned mines of the country. Gold mining became popular even in Randolph county. By the best criterion of values, replacement cost, the gold dollar has varied much within the past fifteen years.

But there is a classic example, whether historical, or apocryphal. It is related that the earlier European exploiters of the Indian fur trade in New England found the Indians using wampum shells as "sound" money. The shells were valued as ornaments, and were scarce. The intrinsic value of gold, apart from that value added by its use as a money material, is due to those very two characteristics. The exploiters, having means of travel and conveyance, went down the coast to where the shells were abundant and brought back a load. They consequently ruined the Indians' money by inflation. Control was lacking. The discovery of a mountain of gold today would destroy the value of gold to-morrow. Inflation can occur with the currency based upon the most precious of commodities; also deflation. Management must control the value of the unit of currency, whatever the material of which it is made.

The Justice of Inflation.

An occasional individual may be injured by inflation. But the only injury that can occur to a possessor of currency or of solvent credits through an inflationary process must be wrought altogether through decreasing the buying power of those dollars. But that injustice will be wrought by any process that raises commodity and service prices. If Mr. Roosevelt succeeds in raising prices to the parity level sought through his NRA and other schemes, every p o s s e s s o r of a dollar secured before the rise of the level of prices, even of recent rises, receives all the injury that a c o n t r o l l e d inflation would effect. Yet all the administration's schemes for raising prices must first counterbalance the bearish influence of a depleniished currency supply. It is possible, then, that the President must yet resort to inflation to obtain the parity of prices he seeks. All agree that parity prices are desirable and nccessary. Then, if inflation is necessary to secure parity prices, inflation is desirable.

Is the President Attempting the Impossible?

The writer feels that the President is attempting an impossible thing in attempting to raise commodity prices by cheapening the American dollar in terms of gold. It is not cheap money that makes plentiful money. On the contrary, plenty of money makes cheap money—whatever the material of which it consists or that upon which the currency is based. Cheapening the dollar is not multiplying the dollars. Prices have not responded to the cheapening of the dollar. Cotton is only 50 per cent higher than last season. If the increase is to be attributed to the cheapening of the dollar, what is the use of the reduction of acreage scheme, the various codes and other means inaugurated to restore purchasing power, and therefore to raise commodity prices?

This article is written before it is seen whether Mr. Roosevelt can disprove the quantitative theory of money by substituting the cheapening process for the process of multiplication, or addition. The results of his process thus far favor the validity of the quantitative theory. The cheapening process hasn't worked yet. If it does prove to be effective in price raising, the President, perhaps unconsciously or unintentionally, will have settled an age-old dispute—whether the buying power of a dollar depends upon the intrinsic value of the material of the dollar or upon the number of dollars in actual circulation and the speed of that circulation. In fact, the President's attempt, whatever the result, should settle, one way or the other, the validity of the quantitative theory of money.

Finally, no one holding dollars or solvent credits acquired before 1930 can receive any injustice through the degree of inflation necessary to restore parity prices. Whatever value his money or solvent credits possess above their value in 1929 has been unearned and instead of inequity it is equity to take away that value obtained through circumstances that impoverished millions—yes, tens of millions.

PLANNING.

The Editor is asking the subscribers to excuse the half-size paper this time. He had to take time off to view the horizon and to adapt plans for next year to changed conditions and in view of the experiences of the initial year.

The first year of the Voice expires with the Jan. 1 issue, and it is time that consideration be given to the future form of the paper. The next year's Voice may see radical changes. It was launched and has been operated against great odds. Adaptation is necessary. When the plans are matured, the editor-publisher hopes to be freer to give more attention to planning the paper.