ernment merely promising to pay "*dollars*," but on which the "*dollars*" could not be obtained! What is that, but the monstrous incongruity that *a promise* is the same thing legally as its *fulfilment?* What is that but judicial blindness as to the *nature* of Credit? What is it but the old confusion between *names* and *things?* What is it, finally, but the dazed and hazy vision, pardonable perhaps in the popular mind but half-opened to radical distinctions, but unpardonable in learned men professing to lay down the law in a civilized country?

It is scarcely needful to add, that the Supreme Court of the United States suffered in the judgment of good citizens by that transaction; that the best legal and financial opinion of the country yielded little respect to a decision *thus secured;* and that intelligent people do not believe that constitutional law *can* sanction what contravenes at once common sense and common morality.

Judge Field (and his memory the country will not willingly let die), one of the majority in the first decision, and writing the opinion of the dissenting minority in the second, used this strong but just language, "*It follows, then, logically, from the doctrine advanced by the majority of the Court as to the power of Congress over the subject of legal tender, that Congress may borrow gold coin upon a pledge to repay gold at the maturity of its obligations, and yet in direct disregard of its pledge, in open violation of faith, may compel the lender to take, in place of the gold stipulated, its own promises; and that legislation of this character would not be in violation of the Constitution, but in harmony with its letter and spirit. What is this but declaring that repudiation by the Government of the United States of its solemn obligations would be Constitutional?*"

CHAPTER V.

MONEY.

THE subject of Money presents few difficulties, or rather none of any depth, to one who has thoroughly mastered the subject of Value. To all others the difficulties are insuperable. Essay after essay and volume after volume has been written in this country upon Money, by men who would have become good economists and good monetaries, if they had only begun their inquiries at the right place and followed them in the right direction. As we saw in the last chapter that it is impossible for anybody to understand the subject of Credit without first comprehending the matter of Value, so we shall see in this chapter that in the order of Nature Value precedes Money, and that the latter can only be learned in the light of the former. The logical reason for this in general is, that Money itself is always a Valuable, and comes to its function as money only through a comparison of itself with other Valuables.

The thin difficulties that confront the student of Money, who has reached the topic along the proper highway cast up for economical inquiries, arise apparently from two sources; and we will begin our present discussion by first looking at these in their order.

In the first place, Money is the only Valuable that may belong to two out of the three possible categories into which Valuables may be scientifically thrown. All Valuables are either Commodities, or Services, or Credits. These categories never change places. Once a Commodity always a commodity, so long as value can be predicate of it; a personal Service can never take on any other valuable form; and a Credit is ever a credit, and nothing else, until it is annihilated by Fulfilment. Now Money is the only Valuable that ever appears in two of these forms. The same Dollar indeed cannot be both a Commodity and a Credit; but some Dollars are a Commodity cut out from gold and silver, and some other Dollars (so-called) are a Credit issued by Government or parties responsible to government; while Money as a general term properly enough covers both kinds of Dollars, the Commodity-Dollar and the Credit-Dollar. In other words, Money is of two kinds, and only two kinds, either a Piece of valuable metal stamped as to weight and fineness by the image and inscription of Cæsar, — a Commodity; or a Promise to pay to somebody some of these pieces, — a Credit. This unique peculiarity of Money, by which, always a Valuable, it may appear and does appear in two out of three possible predicaments of Valuables, makes a little difficulty at the outset of its discussion, and requires continued care in formulating its scientific propositions.

In the second place, a more considerable difficulty, and yet a slight one still, is found in the fact that the choices and the legislations of men have more to do in shaping the propositions of Money than in most other economical propositions. It is true, that Nature and men coöperate in the determination of every case of Value whatsoever; while there is a difference in the cases, though perhaps not a distinction, in respect to the fixedness and universality of the natural laws involved, in contrariety to the purely human impulses concerned. The Providential elements in Economics, both the social and the physical, are of

course relatively fixed and unchangeable, otherwise Science could not grapple with and classify them; and so also are those principles of Human Nature related to exchanges, which may be said to be *universal* in their character, — such as, for example, the preference to receive a larger rather than a less return-service, and to render a smaller rather than a larger effort; and at the same time there are other principles of human nature related to exchanges much more *variable* in their character than these, such, for instance, as the nation's choice of the kind of Money it will use, or the kind of Taxation it will impose. It certainly follows from this, that some Economical laws must be more *general* than others, owing to a less variation in the human impulses concerned in them: it follows, for example, that the law of landed rents, or the law of the approach of the price of raw materials to that of the finished products, is more universal in its terms of generalization than most of the propositions of Money and Taxation can be.

It seems like a paradox, that those parts of Economics in which the human elements of variable choice may predominate over the relatively fixed laws of nature and of mind, should be just the parts hardest for men to catch clearly and hold firmly; because, we naturally think, that difficulty and mystery are rather to be found in those departments in which an Infinite Mind has been at work upon an infinite plan, and that there is no such profundity in the works of men; but after all, even those natural laws like Gravitation, which are clear and universal as laws, if they be such as the devices of men have to do with, such as may be modified and in a certain sense controlled by human actions, become from that very circumstance liable to some difficulty and perhaps to some mystery. Now all the truths of Money, and as we shall see in the final chapter all the truths of Taxation also, belong to this class of less general generalizations; still, it is scarcely less than foolish to say, that Money is such an elusive and ideal agent that nobody can understand it. That is the language of indolence and lack of penetration. Money is wholly a matter of man's device, though it comes into constant contact with something greater and more fixed than itself; it was invented, just as any other instrument is invented, to accomplish a certain economical purpose; and it would be strange indeed if men by taking pains could not perfectly comprehend what men themselves have wholly devised. We hope, accordingly, in the following paragraphs to clear up completely to all intelligent readers the whole doctrine of Money. The key to unlock all the superficial difficulties (and there are no others) is this: Money is always a Valuable before it becomes money, and continues a valuable independently of the fact that it *is* money; and, it is always one or other of two kinds, either itself a Commodity or a Promise to pay a commodity. In this chapter, we will not begin with definitions and justify them afterwards, but will come up to them step by step, and, as it were, justify them beforehand.

1. Economical Exchanges may begin, be profitable to both parties, and go forward to a certain extent, without the use of any money at all. As a matter of fact and probably for a long time, while the Civilizations were gathering their inchoate forces for a further progress, men exchanged one Service directly for another without the intervention of any medium. This form of trade is called Barter. King Hiram of Tyre furnished to King Solomon of Judea a certain quantity of cedars from Mt. Lebanon for the building of the new Temple at Jerusalem, and Solomon in return furnished to the Tyrians a certain

quantity of wheat and oil, Judea being a fertile agricultural country with no forests, and Tyre a wooded country with no farms. This may well serve us as an instance of Barter, although Money had been in current use in those regions a thousand years before, as is seen in the purchase by Abraham of the cave and field of Machpelah, for which he weighed out "*four hundred shekels of silver, current money with the merchants.*"

It is obvious, however, that while Barter is a good deal better than no exchanges at all, there are inherent and immense difficulties in that form of trade.

(a) Under Barter trade is extremely limited in its *personnel*. Only those parties can engage in it, each of whom is in position to render to the other just such a Service as the other is in direct and immediate need of, and each of whom also wants another Service in kind and quantity exactly what the second man has to render. It is not enough under these conditions, that a man should have some Service to sell, but he must also find some other man, who not only wants that specific service but who also has some service to render in return just such as the first man wants. If A has wheat which he wishes to exchange for a coat, he must first find a party desiring wheat and also having a coat to sell, and moreover who wants just as much wheat as will pay for a coat, no more and no less; if he wants more, he may have nothing to render for the excess which A is willing to accept; if less, A may have nothing besides wheat with which to help pay for the coat. Even in the simpler states of Society the inconveniences of thus hunting up a specific market for each specific service are very great, and in more advanced states of civilization would become intolerable, if it were possible (as it is not) for Society to become advanced under such conditions.

(b) Barter presents insuperable obstacles to trade in point of *place*. While men still exchanged in kind, as it is called, and knew no other mode, the purchasing-power of any Service was necessarily confined to that locality, and would not be parted with except in view of a return service actually there present in the same place. There could be no commercial contact without a local contact. The ultimate parties to every exchange must come together face to face. There could be no middle-men or distributors. The market was circumscribed to the hamlet.

(c) Buying and selling under the scheme of Barter is also wretchedly limited in point of *time*. The fruit-dealer, for example, must dispose of his product quickly, or it perishes on his hands. So of many other commodities. If they are to be sold at all, they must be sold quick. The ultimate buyer must be on hand in time. As the result of these three concomitants of Barter, ten thousand things that are now bought and sold to profit never came to a market or thought of a market, exchanges were so limited in time and place and variety, human associations were so hampered, and the development of all peculiar talents so impeded, that one of the initial steps in the progress of all Civilization has been to hit upon some expedient to lessen these intrinsic difficulties, and so to facilitate Exchanges.

2. The Invention of Money was nothing in the world but the tentative selection by certain people in a certain locality of some Commodity then and there *valuable*, that is, capable of buying *some* things then and there, and gradually giving to that commodity by general consent the capacity of buying *all* things then and there salable. The commodity thus slowly becoming money, whatever it was, had and must have had a *limited* purchasing-power

to start with, because no instance to the contrary has ever been shown, and still more because that peculiar comparison between *two* things that lies at the bottom in each single case of Value is exactly the same kind of comparison that holds between money and the *many* things which money purchases; given a *valuable* in common use as a starting-point, and the transition is easy and natural to a *generalized* valuable, that is, to a recognized money; the relation of mutual purchase between the commodity and *some* other things was a common fact to begin with, the making it money was merely the common consent that thereafter it should have a general purchasing-power within the circuit; so that as a simple result, whenever anybody had anything to exchange, he might first exchange it for this selected product, which was valuable before but is now generally valuable, and then with this money-product in hand he could buy whatever he might want at any time or place within the circuit.

It is impossible from the very nature of Value, impossible from that comparison of two distinct Services, that precedes every Exchange, as well under Money as under Barter, that anything except a valuable anterior to and independent of its becoming money, could ever have become money at all. Money makes no alteration in any law of Value, but only substitutes for convenience' sake in every transaction in which it plays a part, a general for a specific purchasing-power; a book, for example, has a specific purchasing-power, since there is somebody who wants it, and is willing to give a sum of money for it; and the owner of the book by the sale of it parts with a product which has only the power to purchase something from a few persons, and receives a product in return which has the power to purchase something from all persons; it is not true to say that the money is worth more than the book, because they are just worth each other, as is demonstrated by the sale; but it *is* true to say that the seller of the book has substituted in the place of a limited purchasing-power, of which he was proprietor, a general purchasing-power, of which he has now become proprietor; that is, that the command of the money, which has no larger value than the book had, does carry along with it a superior command over purchasable articles generally. In one word, Value in the form of money is in a more available shape for general buying and selling than value in any other form. This is the exact and ultimate expression for all the truth there is in the common vague remark, namely, that Money is something different from all other Valuables; it *is* different from them in just one respect, namely, while they have the power of buying some things from some persons, it has the power derived from the *consensus* of Society to buy all sorts of things from all sorts of persons.

This simple change or substitution, which seems in itself so little and easy and natural, has changed in its ever-enlarging results the face of the world! It makes the valuable now selected to be money seem to the minds of men to be a very different thing from what it was before, although the change in itself is slight indeed. It removes most of the inconveniences of Barter as by a stroke of the hand. So soon as a commodity selected to become money by one people comes to be acceptable as such to all other peoples, as is the case with gold, the advantages of its use are vastly multiplied to all. Experience has shown many times over, and reflection will explain to any one, how that there is no other machine that has economized labor like money; no other instrument that plays so deep and broad a part in Production; no invention whatever, unless it be the invention of letters,

which has contributed more to the civilization of mankind. Money makes vast distances relatively indifferent; for it is sufficient to constitute a market for any valuable that it is practically wanted anywhere on the round globe, the middle-man paying the seller for it in money transports it thither, and receives back his investment with a profit from the ultimate buyer. So, also, money generalizes any purchasing-power in point of time. The dealer, exchanging his perishable products for money, may keep its power of purchase locked in this form as long as he lists, putting an interval at his own pleasure between selling and buying, and with this generalized power in his pocket he may buy when he will and what he will and where he will. Money, too, makes any purchasing-power portable, divisible, and loanable. A man may carry the value of his farm in his purse, and may divide it up for a thousand different purchases, and especially is able to loan it in this form in order to receive it back again with interest at a future day.

3. It is important to notice in the next place, that, whatever made the commodity selected as money originally desirable and valuable, it has now become desirable and valuable for other and wider reasons. The tobacco of Virginia, for example, in the early days of that Colony, became valuable at first on account of the demand for it as a narcotic both there and in England; but as soon as it was made a legal money in the Colony by the general consent already described, its value depended in part upon another set of causes. Of course Demand and Supply still controlled its value just as before, only certain parties who had not desired it before as a mere *commodity* thereafter desired it as a current *money*. Its convenience and necessity as money widened the circle of those parties willing to receive it and glad to render a return for it. It is true,

that many now received it only because they could pay it out again to buy something else with; but that made no difference so far as Value is concerned; it was valuable before under a certain limited demand, and continued valuable under an additional and broader demand; we cannot certainly say, that it became *more* valuable under this new and wider demand, because we do not know how the then combined demand affected the Supply. We may probably say, that the value became *steadier* if not *larger*, under the double demand than under the previous single one; and the vital point to mark and remember is, that the *value of money*, previously valuable as a commodity only, is still maintained under the law of Demand and Supply, just as all other values are, the only peculiarity being this, namely, as a generalized valuable and consequently a potent social agent money is in demand by everybody who has anything else to sell.

It follows from this in necessary sequence, that Money as such, whatever may have been the ground of its original value as a commodity, *is always received as money in order to be parted with.* It is not bought for its own sake to be used and enjoyed, as most other things are, but is only bought to be sold again. Men will sell everything to buy it, with the sole intent to sell it again to buy something else; and the odd thing about it is, that everybody buys it to sell again, not at all as the speculator buys grain to sell it again at a higher price by the bushel or centner, but, the money remaining constant in their minds, they sell for it something they care less about in order to buy with it something they care more about. Money, therefore, becomes a *medium* in men's exchanges. The word "medium" in this proposition is to be taken in its etymological and strict sense, as something that comes between two extremes and serves also to relate them to each other.

This is not the ultimate characteristic of Money, as we shall see, nor can a final definition be founded here, but it is a good step towards ultimates to see that money is exchanged for other things as a means and not as an end, that it is a great help in exchanging all other valuables but is never exchanged for itself in an ultimate transaction.

Small boys, indeed, sometimes swop cents; but men, the miser excepted, who is under a deplorable fallacy of the senses, use and estimate money mainly as the *medium* that facilitates the real exchanges of Society. What is actually and ultimately exchanged is the wheat, the cloth, the lumber, the furniture, the commercial service of every kind, and Money is but the instrument making those exchanges easy, which might perhaps go on in part without it, though with difficulty and loss. In short, money is somewhat like a railroad ticket. Transportation to a given place is what is really bought when one pays for a railroad ticket. The proof of the purchase is the bit of paper exhibited. That comes in as a *medium* between the traveller and the railroad company; and while it facilitates the real exchange, it also partly disguises it. This comparison holds good in the main feature, but in two respects the resemblance fails: Money is not a specific ticket for a single purpose, as the pasteboard is, but is a general ticket (so far as it goes), for all purposes of purchase; and secondly, Money really stands as a value in its own right (so far as any single thing can so stand) at the same time it is serving as a *medium*, while the railroad ticket does not. Still, we are all desirous to get money, not for the sake of the money itself, but for the sake of those things which the money will buy. We part with money freely and constantly for those things which we care more about. What we exactly care for is what our money will buy, is the conscious command over all services and commodities which the possession of money insures to us. If we could give our own commodity or service or claim, whatever it may be, and receive directly in return the claim or commodity or service which we want, whatever that might be, there would be no need of money at all; but this is always inconvenient, and generally impossible; and, therefore, we introduce a middle term, and money is found to be a good mean to help exchange the two extremes.

4. We are now getting on towards a just conception and a true definition of Money, though two or three more points must still be noted as preparatory to that consummation. As a result of the fact already reached, that money serves as a *medium* in men's exchanges, it follows of course that the power of money as such a medium is multiplied by what has been called *rapidity of circulation*, that is, a brisker use of the volume already in circulation will reach the same end as the increase of its volume. As in mechanics, so in money, the whole power is the product of mass and velocity. Money also is like any other tool, the more constant its use the more profitable its agency. The quick movement of a small mass, accordingly, is better than the torpid movement of a large mass, both in what it saves of expense, and in what it presupposes of the general conditions of exchange. The value of the money-volume of any country is a small fraction of the aggregate value of those products which the money helps directly to exchange; and a very small fraction indeed of the aggregate value of all the products which it helps indirectly to exchange through Credit by means of its *denominations*. We shall see better a little farther on, that Money works not only as a medium direct, itself exchanged against other Services, but also as furnishing those denominations of Value, like the *dollar*, which are always used in bargaining; and also used in all cases of Credit, in which settlement is not made by money but by offsetting one piece of indebtedness against another, and these denominations can arise only from the use of money as a direct medium. Therefore, we may say that the hub and the spokes and the rim of the wheel of exchange consist of personal services and commercial credits and all material commodities except money, while, to borrow the famous comparison of Hume, "Money is but the grease which makes the wheel turn easier." It would be a vast mistake to suppose, as some of the ancients did, that the grease is really the wheel.

While Money thus facilitates the revolution of the wheel of Exchange, it follows too from its nature as a medium, that the dimensions of the wheel as a whole are vastly greater than they would have been but for the Money. Money indeed helped to exchange the products that already existed and were coming into existence at its first invention, but by far the largest part of products since have come into existence largely through the agency of Money. We get quite too low a view of the functions of this potent agent, if we think of it merely as an aid in circulating products, that would have existed whether or no; some products would certainly have existed whether or no, and money would surely be of great use and convenience in helping bring these to the ultimate consumers; but this is a partial and wholly inadequate view of the function of Money as a medium of exchange. The fact that such a medium is in universal circulation, and that the present holders of it are ready to exchange it against any sort of Services adapted to gratify their desires, exercises a kind of creative power, and brings a thousand products to the market which would otherwise never have come into existence. Since money will buy anything, men are on the alert to bring forward something which will buy money; and since Money is divisible into small pieces, an incredible number and variety of small services are brought forward to be exchanged against these pieces, for example, into railroad cars and fares of all sorts, which services we have no reason to suppose would ever be brought forward at all were it not for the strong attraction of the money.

5. From this last point of view we may gain another closely connected with it, namely, that Money must be a very important part of the *Capital* of the world. We have already thoroughly learned that Capital is any product outside of man himself from whose use springs a pecuniary increase. Now any one may see that the monetary medium of any country is the most active and the most essential and the most profitable of all those instruments reserved in aid of further production. The axe, the plough, the spindle, the loom, the wheel, the engine, are all instruments, are all Capital, and they each aid respectively some part or parts of the processes of Production; but Money is a form of Capital which stimulates and facilitates all the processes of Production without exception. Just as we have seen that Money is a form of Value generalized, so is it also a form of generalized Capital, that is to say, it is an instrument capable of aiding all processes of Production in every department, while every other capitalized instrument is capable of aiding but few processes in one department. Without Money, for instance, there could be no thorough Division of Labor, because there would be no adequate means of estimating or rewarding each one's share in a complicated process. By means of Money all services small or great contributing towards a common product are neatly measured, and may be paid for by some one, who thereby becomes proprietor of the whole product; or, if the contributors choose, they may wait till the product itself is sold, and then the money received is

divisible without loss to each contributor, according to the service rendered. Thus the influence of Money as Capital pervades the whole field of Exchange from centre to circumference, facilitating every transfer and stimulating new transfers.

Now then, if Money be, as it is, a peculiar kind of Capital, since it is a Medium in all Exchanges, the question becomes pertinent, How much of it is wanted? Clearly, only *so much* as will serve the *purposes* which such a medium is fitted to subserve; there should be enough fairly to mediate between the Services actually ready to be exchanged then and there, and also enough fairly to call out other Services proper and profitable in the then circumstances of Society, and whose only obstacle to a profitable exchange then and there *is a lack of a facilitating medium.* All increase of the volume of money beyond this point, which the very nature of Money itself marks out as the boundary, leads to a diminution of Value of every part of it, to a consequent disturbance of all existing monetary contracts, to a universal rise of prices which are illusory and gainless, to unsteadiness and derangement in all legitimate business, and to a spirit of restless enterprise and speculation which seeks to draw off the excess of money in untried and reckless experiments. The only real subjects of Exchange are mutual efforts, mutual services, as these are expressed in Commodities and Services and Credits, and money is the instrument merely that comes in between the real exchanges to facilitate them; and, therefore, it seems to be perfectly conclusive on this point to remark that the quantity of money needed in any country or the whole world is limited by the number of the services ready to be exchanged, to make easy the exchange of which is the good purpose and sole end of Money.

The physical and mental powers of man, which alone can give birth to commercial services, when considered as they must be in this connection as belonging to a given number of men at a given time and place, are strictly limited of course; and although the presence of money then and there is both a stimulus and an aid to all these men to bring forward services of all sorts to the market, there are obvious restrictions both in their powers and in their circumstances; and the quantity of money needed among them is just that quantity which will fairly act as a medium in exchanging the services which they are able and willing to render to each other. All increase in the quantity of money beyond that point would have, and could have, the only effect of increasing the nominal Prices of Services, without making the services themselves any greater in number or better in quality.

It is with Money exactly as it is with any other form of Capital, allowance being made for the fact that Money is a kind of generalized capital. To illustrate, How many ships does a commercial nation need to employ? As many as will fairly take off its exports and bring in its imports. Ships are wanted for one definite purpose; and when enough are secured to answer that purpose, all additions will lessen the Value, that is, the purchasing-power, of ships generally. So of all instruments whatever. Enough is as good as a feast. Enough is better than more. In regard to every form of Capital, and consequently in regard to Money as such, the point of sufficiency is determined by the quantity of work to be done. And as no law of Congress is required to determine how many ships are best to do the transportation for the people of the United States, so no legislation is needed to fix the amount of Money that is best for the same people, or for any people. As the people find out for themselves how many steam-engines they want to do their work of the year, so they find out without any aid

from their legislators how much money they want to make their exchanges of the year. The less Law and the more Liberty on all such points the better for all concerned.

Let the reader notice in passing, as a corollary from what has just been shown, that when forms of Credit like bank cheques come into growing use to make payments with and settle balances, they displace to a large extent commodity-moneys, like gold and silver, which would otherwise have to be employed. Speculations, and even scientific discussions, over the needful amounts of gold and silver for money in the United States, have usually overlooked this essential consideration of displacement; and one result of this has doubtless been too large a coinage of the precious metals, to the hazard of their stable value, and especially to the hazard of the permanent maintenance of the gold standard. Men forget in their zeal for Money that it is nothing but a Tool, and that the multiplication of tools beyond the amount of work to be done by means of them always makes the tools a drug; and they are apt to forget also that the cheaper and more convenient substitutes for metallic moneys, namely, forms of Credit, are all the time and more and more taking the place of the older moneys, which, nevertheless, must still be kept at the foundation, though a lessened quantity of them be needful for circulation.

6. We must now carefully sink our analysis one grade deeper, in order to reach the bottom characteristic of Money, and so to formulate an ultimate definition of it.

The only quality common to all valuable things is the fact that they are all *salable;* and if these various and multitudinous valuables are ever to be made in any way commensurable with each other, it must be by means of one of their number assumed as a *standard of comparison* with the rest. Comparisons can only turn on points of