value of money is an artificial quality, created by its ready exchangeability, so credit may come to have a value for the same reason. People accept money readily in exchange for anything else because they know that it gives them command over any piece of property that is for sale. In other words, because it is convertible into property practically at all times, in all places and under all circumstances. Likewise, credit has value as a medium of exchange only to the extent to which it is convertible into money or directly into property. Convertibility is therefore the very essence of the value of money and credit.

Money we saw was simply an indirect barter, the operation being lengthened by the use of an intermediate thing called money. With the use of credit the operation is still further lengthened, and the steps in the complete transaction may run as follows: Goods are traded for credit; credit is traded for money; money is exchanged for goods.

Suppose a merchant buys a bill of dry-goods from a wholesale establishment and gives his three-months note therefor. The wholesale house may take this note to the bank for discount, receiving a credit on its deposit account. When the note is due the bank may receive a check from the retail merchant who made it. This check may be cashed at another bank and may be paid out again to a manufacturer, who has received a check from the wholesaler drawn against his deposit at the bank. The manufacturer may use this cash to buy cotton from the customer of the merchant who consumes the dry-goods first bought. Reduced to its simplest terms, the cotton grower has bartered his cotton for cloth, but the transaction has involved a very complicated series of exchanges in order to accomplish it.