Gold the Tyrant.

IT'S DAYS OF RULE NUMBERED.

Editor Evening Telegram.

Dear Sir,—It would appear from certain comments in the press anent business depression, that some of the writers are at sea as to the cause of the chaotic state into which we find ourselves. Some complain that no one has stated the cause of the trouble, but this may be due to the fact that the complainer is not familiar enough with economics to recognize the cause when stated. If some one says that morality, personality, etc., can only be explained in terms of positive and negative electrons, this would not be clear to a Veddah, but it would be clear to the modern physicist. It may not be elucidative to those whose psychoplasm is bent askew from the effect of frothy literature, but it will be understood by the student of economics, when it is said that the present state of business is due to the **incompatibility of titles to money with only enough actual money for the payment and circulation of mere wages,** or, try it this way: paper money, book keeping money, titles to money, money of account, have increased about 30 times faster than real money. A most momentous fact —this money increased at a furious rate during the war. All the loans we heard of were not loans at all. It was simply writing some ones name down for so much money which did not exist. Now the title holders to this money are looking for it, but there is none forthcoming.

Capitalism has arrived at a stage when it needs new capital to carry on production, but this money is not to be had. Hence the world wide depression. But you say, why do not the banks lend the needed money to the individual Capitalists? To do so would only widen the breach between real money and money of account, which is the real cause of the collapse of Capitalism, or the present economic disorder. Such hackneyed phrases as getting back to normal, re-adjustment, after effects of the war, etc., explain nothing and is used by those who are too mentally lazy, or too ignorant of the subject to give a true explanation of the trouble. Some speak of using our bank deposits to carry on the business of the country, but it is not realized that those bank deposits are, for the most part, shadows without a substance. There is not 12 billions of active money in the world, yet the world owes the world 30 times this amount. It can be gathered from this that the most of the world's money consists of "deposits," which cannot be used to carry on business because it would only create bigger, or more "deposits," which would place the financial mechanism in a more precarious condition. Only it would take up too much space, I would go into details and show just what deposits consist of and how they are created.

The necessary gold basis of competitive Capitalism and the incompatibility of this basis with the irresistibly growing mass of money of account is a sign of the approaching maturity of Capital and a part of the general contradiction between the old individualistic form of society and the developing need of social regulation of society functions. The rulers of the earth are not inclined to take a serious view of the problems involved. No ruling class ever estimated at their true value the forces making for its undoing. Their cheerful view is that panics have come and panics have gone, and after each one we grow richer than ever before; that no doubt there will be runs on the banks again, and if the small cash reserve is in danger, we can suspend payment the same as we have done before; in short that nothing different from the past will happen in the future.

The main source of this value lies in the ignorance of those expressing it regarding the age of the present form of society. They believe society has been constituted as at present for a very long time. But the present form of society has not existed for a very long time, and especially its greatest development, including the creation of the entire mass of money of account, is a matter of very recent history. The development of the system of fictitious money is progressing at such a furious rate that there is no telling how soon the hour may come when it may be wrecked by its negation of the theory of value. The belief that what has never happened before will not happen hereafter, while comforting in some cases, is in contradiction to the theory of evolution, which is as applicable to human affairs as to things in nature.

There are certain people who console themselves with the belief, that that part of the economic organism represented by Newfoundland business, will escape the destruction which world capitalism is heading for. In support of this belief they point to the bank crash and other financial difficulties out of which Newfoundland emerged, but they fail to take cognizance of the fact that all this happened prior to the building up of the present much more complicated financial mechanism. The modern credit system is a complex and highly developed social organism. While each nation aims to protect itself in the first place, yet an injury to one nation communicates itself promptly to all the others. This has been a regularly observed phenomenon. Even the New Zealand crisis had a world wide effect. The vast credit system, social in its nature, rests on the very narrow basis of the existing stock of money, and being an organism of a very high order is correspondingly sensitive, especially in relation to its basis of existence—gold. It is a fact in nature that the higher the organism and the more complete its integration, the more sensitive it becomes. Certain worms may be cut into several pieces and each piece will reconstitute itself complete; the starfish can reproduce its arms; the sea-slug its legs; the fish its fins; the lizard its tail; but in the higher organisms an injury to a part is beyond repair and may be fatal to the whole.

Gold has become utterly incapable of fulfilling its function of means of circulation and of deferred payment. The contrivances of money tokens and money of account, to take the place of the needed but deficient gold, are admissions of the past. These substitutes have heretofore functioned in place of gold, only occasionally giving rise to difficulties. But the continuous and irresistible growth of the mass of these substitutes, and the increasing disparity in the proportion of this mass to that of the gold, renders their parity more and more precarious and will ultimately make it impossible. The financial system has operated, though with creaking and crashing, on the strength of the social faith that it will never be subject to much worse than normal strain. However, it is plainly to be seen that the more artificial the system becomes, the more it is liable to call forth crises of increasing severity. An untoward event may put such a strain on the financial mechanism in all countries as to produce the most tremendous consequences to that form of society to which this mechanism is indispensable. The degree to which society loses faith in symbols of money expresses itself in their depreciation relatively to gold. The depreciation of paper money carries with it that of bank checks.

If tokens have been issued to the very limit of the economic law during a period of prosperity and high prices, and when in the following period of depression the value or price of the stock of commodities, or both, as measured by gold, are much lower, then the sum of tokens in existence must be in excess of the sum in which gold would be required for circulation. In other words tokens will have depreciated. This is what we are up against to-day and what we are going to be up against harder, the lower that prices drop. Since the Armistice production has ceased for those customers who were buying without much consideration of cost and paying with drafts on the future. Instead, consumers must now be found able to buy at a profit to the producer and to pay for the products out of current income. But such customers are not to be found, and as a result, production has ceased and depreciation begins to tell its story.

Gold is the exclusive thing of things. It appears as a fetish created by man's hands, ruling him in his material affairs, as the creations of his mind rule him in religion. A period of unemployment sets in for the workers. The Fetish wills it! Vocational disease attacks the breadwinner. The Fetish wills it! The storm clouds of panic gather over the heads of the Capitalists. Like a desperate wolf the creditor flies at the throat of the debtor. What! — commodities? What!—personal honesty? They are all sham. There is nothing real but gold; there is no protection but the Fetish! But the real fetish is not the yellow, glittering gold; behind it, more concealed from view, is the arch-fetish, its parent—the commodity.

The days of the rule of gold are numbered. History never can overestimate the importance of the part played in human progress by the yellow metal. It was the tool placed by Nature into the hands of man for the erection of an edifice in which was to dwell a race emancipated from physical care and free to devote its mental gifts to the higher aims. But in all animate nature the evolution of laws to higher forms is replete with the tragedies of the struggle for existence. The golden tool became the master of the workman, setting the pace for him and driving him pitilessly and relentlessly toward the completion of a task he understood not. Now the tool fails for further service. It is breaking in man's hand. But, behold! Completed is the dwelling in which the struggle between man and man shall be unknown, and in which the fateful gold, stripped of powers, cleansed of blood, will be restored to its natural character—that of being a mere thing of beauty and innocent joy.

Yours truly,
W. L. BUTLER.

Clarenville, Dec. 9, 1920.