

In 1870 \$1,000 coin equalled 1,027 bullion.

In 1873 \$1,000 coin equalled 1,003 bullion.

In France the ratio was also fixed at 15½ silver to 1 of gold and as the law permitted the payment to any extent in either metal the bank of France always paid out the cheapest metal.

The Act of Feb. 12th, in the United States in 1873 made gold the standard, but as the ratio of silver was quoted 16 to 1 of gold and 16 ounces of silver had a greater purchasing power than 1 oz. of gold, it was the act of 1834 that disposed of silver and brought about the gold basis. The same effect happened in England when the currency changed from silver to gold before the passage of the act of 1816, which decreed gold to be the standard. It, again, was a result of the ratio of silver at the mint being unvaluated and the heavier coins were melted and sold as bullion. Sir Isaac Newton, Master of the Mint, in a report to the Lord of the Treasury stated that silver bullion was worth two pence to three pence more per ounce than the silver coins, face value.

We saw something similar with gold cropping up during the late war, in England. In May 1920 six men were implicated on a charge of melting gold sovereigns into bullion; they were found guilty and received 6 month's imprisonment.

They obtained somehow 110,000 sovereigns, which the authorities confiscated, and at the trial it was proved that they had drawn from the Bank of England during 1919 gold weighing 18 hundred weight. During December alone it was charged they disposed of bar gold worth 914 pounds sterling. You will readily understand the reason these men, diamond merchants and barristers, did this, when gold had risen in the market from the mint price of £3 17/— 10½d to as high as £6—0—0. Many people were surprised to learn that as much as 29/— 6d was being paid for a sovereign (illegally of course) but that is one reason why the law was passed to stop gold being paid on demand, as sovereigns would have all gone to the melting pot. This is an abnormal incident of gold leaving its fixed price of that given at the mint, or Bank of England.

We see therefore when the legislative law is in conflict with the economic law it is obsolete and that the gold standard of the various countries was brought about by economic law before legislation made it legal.

This fixed price of gold confuses the best of our economists. Professor Fisher of Yale University is one who was very confused when he entertained the idea of stabilizing the dollar, because he fails to differentiate between value and price. He spoke before the Ottawa Canadian Club in 1912 in a manner as if because gold had a fixed mint price it should be made to have a fixed value, and most people are apt to think that way.

Let us not forget the fact that gold is a measure of value because it is a product of labor, and that it is a standard of price because of a fixed weight, that it has become a measurement of value precisely as a yard is a standard of length, the pint the measure of liquid, or the pound of weight. As length and distance can be stated longer and shorter than each other expressed in yards, so the relative worth of commodities can be expressed in money. Thus money is merely the expression of value, but labor is the source of that value.

Professor Fisher in 1912, said: "I believe the two great causes of the high cost of living is the great production of gold, and consequently the expansion of the world currency, and the increase in the use of cheques which are used as substitutes of money, and therefore tend to have the same inflationistic tendency." He then illustrated this by the story of a domestic servant having 100 dollars in the bank for 15 years at compound interest, who would draw 150 dollars, yet who was swindled out of her interest by the depreciation of the dollar. He wanted to stabilize the dollar by adding or subtracting the amount of gold grains to keep prices at 100.

He stated the government paid \$16.80 an ounce and asked if there should be any difficulty at fixing the price at 5, 8 or 10 dollars. "We talk about the law of supply and demand," he said, "yet the great supply of gold does not lower its price because we

artificially hold it up." This is confusion with a vengeance, as to have a measurement of value expressed in prices you must have some zero point to measure from, just as length or weight, or zero on a thermometer. Although you have an abundance of summer weather it does not change the freezing point of 32 on the thermometer. Fisher says, "If we discovered gold in sea water tomorrow so that gold became as common as sea pebbles, it would still be worth \$18.60 cents an ounce."

The war has disillusioned Fisher on the stabilizing of the dollar. However, the "Ottawa Citizen" quoted him frequently at this time, and in a letter to the "Citizen" I endeavored to point out that value is not measured by money, that the value of the gold in the dollar has no genetic relation to the value of a dollar as a standard of price, as the price is fixed by law, but that gold would have a lower value in its exchange for other commodities that had remained constant. Therefore the amount of gold necessary in exchange for other commodities being greater, it expressed itself in a higher price because the value of gold which is its relationship in exchange had fallen.

To put it plainer, let me use the following illustration:—

1 unit of gold—1 dollar—1 hour labor.

4 lbs butter—1 dollar—1 hour labour.

Butter would be 25 cents a pound.

If we had an enormous increase in gold production and no increase in commodities which, for simplicity, we will call butter, we might get this effect with double quantity of gold produced in the same time of 1 hour.

2 units of gold—2 dollars—1 hour labor.

4 lbs. butter—2 dollars—1 hour labor.

Butter would be expressed in 50c a lb., yet there has been no increase in the value of butter because it still takes 1 hour's labor to produce 4 lbs., but the value of gold has fallen, 2 units being produced in the same time as the 1 unit previously. This question will be dealt with in more detail under price.

To understand the problem intelligently we must also remember "that the quantity of money functioning as a medium of exchange is equal to the sum total of the price of all commodities, divided by the number of moves made by the coins of the same denomination, and the circulation of commodities can only absorb the necessary quantity."

For example, if 1,000 dollars express the total value of commodities, 100 dollars with 10 turnovers might be sufficient currency. The inflation of the currency during the war absorbed more than the necessary quantity expressed in the face value of the dollar. This seems a contradiction, but the system is full of contradictions and our opponents point to Marx as being contradictory because he points out contradictions. The explanation of the above contradiction is because the fundamental difference between paper money and gold money briefly stated is:

Paper currency is only a value in circulation, and has this value because it circulates.

Gold has value in circulation because it meets commodities as an equivalent of value because of its labor source of value, and, unlike paper, if it could not obtain its equivalent value in circulating as money it would be melted and leave the circulatory function, as we saw it illustrated in England.

The changing quantity of paper in circulation changes the prices of commodities.

The circulation of commodities can only absorb a definite quantity of gold, but will absorb any amount of paper. The reason a definite quantity of gold can only be absorbed is because gold, being a value itself, can realize its equivalent as bullion and leave the circulating function, as we have seen when government attempted to fix the ratio of silver and gold.

You would have to add an enormous amount of paper money before its intrinsic value as a product of labor would be reached, as paper is of very low value; that is why it is possible to carry on inflation with paper money.

I have endeavored to prepare you to deal with our next subject: **Price.**

## Book Review

HUGO STINNES: By Hermann Brinckmeyer. New York, B. W. Huebsch, Inc. Cloth, 150 pp. \$1.50 (U. S. Currency).

THIS is a brief story of one of those men who stride the world like a colossus, but in a different sense than Caesar did. The modern masters of the earth are not soldiers, nor are their armies composed of such. They are at best insignificant looking enough, and often so in every other sense. But their ownership of large industrial plants confers upon them all the powers possessed by the master of thirty legions two thousand years ago.

How much fiction and dramatic atmosphere might be written into the personality of our "great ones" is common knowledge to readers of the "Clarion"; of little concern then are the little anecdotes which portray Stinnes as the hard working director of industry. That he rides on a street car and dresses like a foreman might furnish a text for a Sabbath sermon, or as an example to the extravagant slave; singular, if true, but it is not the source of his wealth.

While peculiar to industrial magnates in this country, the captains of industry on the Rhine, we are told, are invariably of this breed. When we recollect what half-baked fools possess enormous industrial plants, we lose interest in those industrial people who work eighteen hours a day and do their figuring when they sleep. Of more interest to us is the statement of Stinnes himself: "When I am about to start a new enterprise I always ask two preliminary questions. In the first place, **where is the man to organize it?** Secondly, **where are the efficient workmen?** (Emphasis ours) Like Byron's little urn, these words say "more than many homilies."

The Stinnes fortune commenced early in the 19th century with Mathias Stinnes, who operated a small fleet of barges on the Rhine. Its history is the epitome of capitalist development in Germany. We read of Mathias, riding rough-shod over petty government officials at the borders of the many principalities which then comprised the German Empire; of his taking trips to Berlin and, in the seat of bureaucracy, overawing the pompous officials there. A verbatim account of what old Stinnes said to those retainers of the non-steam age would be of infinitely greater value than what Wellington said to the Guard at Waterloo. But, although our author deals in generalities, we can well imagine what the old fellow said. Steamboats had visited the Rhine in the year 1830, but Stinnes was the first to apply steam to hauling barges. His first tug-load, displacing the labor of many workers, met with armed resistance from those displaced. The pilot-house had to be iron-clad, but finally the steam-tug proved itself to be the fittest to survive. Not only did it overcome the antipathy and energetic resistance of the slave, but it pushed the old natural boundaries of the German people into the limbo for things lost and, with its steam companions of the land, set at naught the deliberations of the wise men who sat at Vienna to determine the boundary line of nations.

From transporting coal in barges, Stinnes, in tune with the infinite—or is it the times?—proceeded to mine coal, build ships and produce iron. Parallel with Stinnes there developed those other great fortunes, Klockner, Krupp, Siemens, and Rathenau. Of the last mentioned we had the news recently that its representative was assassinated by monarchists. As with these other families, the children of old Stinnes carried on and extended the enterprises thus begun,—no doubt to the tune of "Where are the men capable of handling the job? Here we read of gigantic merges familiar to us in the steel and oil trust, where, within the confines of a single company every particle is used up, passing as it were from the great bridge girder and plate steel mills down to the pin and nail factories. Coal and iron mines, railroads and shipping, harbours, chemical plants, paper mills and newspapers,—

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