cause houses sometimes burn down, nor would anybody advocate the abolition of credit because sometimes its abuse brings on commercial disasters and panics.

Throughout this book the word "credit" will be used in a strictly technical sense, that is to say, with the following meaning: *Credit is a postponed payment of money.* The word is employed in ordinary usage to mean the ability to borrow. Thus, a person has good credit when his reputation for financial integrity makes it easy for him to borrow the funds or property of others. Much of the difficulty and confusion inherent in the discussions of credit grow out of this vague usage of the word. If it is kept in mind that a credit is a perfectly definite thing, i. e., a postponed payment of money, clear thinking will be possible.

Our definition implies an incomplete exchange. One side of the exchange has been completed, but so far no equivalent has been rendered. The payment has been postponed. It is convenient, however, to regard the credit as itself an equivalent and a thing having value. If a merchant sells a bill of goods to a customer and agrees to postpone the payment for three months, he has received for the goods a promise, which is valued by him as the full equivalent of the goods. If this promise is put in the form of a promissory note (which is simply a documentary evidence of the promise) this promissory note is a concrete object of value and can be itself exchanged for other things of value.

18. *Credits as media of exchange.*—The fact that a promise to pay money is a valuable thing in itself suggests immediately the possibility of using such promises as a medium of exchange if they can be put into such form that the ownership in them or the title to them can be transferred from hand to hand. Just as the