Economics for Workers

BY PETER T. LECKIE.

GOLD has many advantages over all previous mediums of exchange.

1st: It is generally accepted and can be used for ornaments and other industrial uses; is easily converted into bullion, or vice versa.

2nd: Is chemically uniform.

3rd: Has great durability.

4th: Has great value in small bulk.

5th: It is recognisable by its weight and through the acid test.

6th: It is beautiful to look at, hard and portable, easy to handle; it retains the government stamp easily and long; it was bound to win out in competition with other money, such as skins, tobacco or cattle money, or other metals.

All previous money fluctuated easily in value, therefore it had less stability than gold. Gold has other remarkable qualities. One grain can be beaten out to the extent of 75 square inches so that it takes 365,650 leaves of decorator's gold to form one inch in thickness or the 1200th part of the thickness of ordinary newspaper.

One grain can be drawn into a wire 500 ft. long, and one ounce made to cover a silver wire 1300 miles long, therefore it has many industrial uses combined with the money use.

Diamonds have a number of "gold qualities." They are of small bulk and are portable, but diamonds have not the divisible quality. A twenty carat diamond is worth more than a twenty-one carat diamond, and cannot be converted into coin or bullion.

When tobacco money existed among the Colonists in America we had the value fluctuation so great as to cause riots.

In 1628 the tobacco price was expressed in silver at 80 cents. The cultivation of tobacco increased so rapidly that it fell to 12 cents in 1631. In order to raise the price steps were taken to restrict its growth. Carpenters and mechanics were forbidden to grow it. These measures were ineffective, and by 1639 the price of tobacco expressed in silver was six cents. It was then enacted that half the good and all the bad tobacco be destroyed, and therefore all creditors accept 40 lbs. in place of 100 lbs. and the crop of 1640 be not sold under25 cents a lb. and 50 cents in 1641. This law also was ineffective, causing great injustice (the historian says) between debtors and creditors by impairing the obligations of their contracts. In 1645 tobacco was only worth two cents a lb., and in 1693 the tobacco price was so low the people wanted its growth forbidden by legislation. The request not being granted, large bands went through the country destroying the crops. This evil had reached such a stage that it was enacted in 1684 that if any persons to the number of eight or more should go about destroying tobacco crops they should be judged traitors and suffer death. In 1727 tobacco notes were issued and legalized. These were in the nature of certificates of tobacco deposited in government warehouses. These notes were convertible into tobacco just as our notes are (supposedly) convertible into gold. Therefore we see the disadvantages of grain or tobacco money.

Platinum was tried as a currency in Russia in 1828 but was a failure. It had many qualities fitted for money, particularly in durability and density, which made it easily distinguishabel. It oxidises slowly, but there has been no great amount of use for it in commerce. Because of its high melting point the cost of manufacturing coins was high, and it was not easily converted back into bullion (or vice versa) like gold, so it was abandoned in 1845.

The social monopoly of money has been obtained by gold, or the "token money" which represents gold. Token money is silver, copper or "paper money" which circulates above its commodity value because of its promised redemption into gold on demand. Gold as the basis of our money system is a commodity, its value determined like all other commodities by the amount of socially necessary labor embodied in its production. When we treat gold as a commodity we find an intelligent explanation of the problem of prices. Gold has the two characteristics of all other commodities, usefulness to human society, and is a product of labor.

Marx says: "As a measure of value and a standard of price, money has two entirely distinct functions to perform. It is a measure of value in as much as it is the socially recognized incarnation of human labor. It is a standard of price in as much as it is a fixed weight of metal. As a measure of value it serves to convert the value ofall other commodities into imaginary quantities of gold. As a standard of price it measures those quantities of gold. . . . . In order to make gold a standard of price a certain weight must be fixed upon as a unit."

Only in so far as it is a product of labor can it serve as a measure of value. The change in the value of gold does not affect its function as a standard of price. Marx says: "With English writers the confusion between the measure of value and the standard of price is indescribable. Their functions as well as their names are constantly interchanged."

"No matter how its value varies, the proportions between the values of different quantities remains the same. However great the fall in value, 12 ozs. of gold will still have 12 times the value of 1 oz. of gold, and in prices the only thing considered is the relation between the different quantities of gold. Since, on the other hand, no rise or fall in the value of an ounce of gold can alter its weight, no alterations can take place in the weight of its aliquot parts. Thus gold always renders the same service as an invariable standard of price, however much its value may vary."

Engels puts it: "The value of the precious metal from which money is coined is itself determined by the amount of socially necessary labor time required in its production." Gold cannot determine its own value. One oz of gold equals one oz of gold does not express value, as value is a social relationship and can only be expressed when a commodity is brought into exchange with another commodity for its equivalent, which is the socially necessary labor embodied in production. Value does not reside in the stamp that makes money legal tender. The precious metal was used as money long before people ever thought of stamping or coining it. The people in Queen Elizabeth's time weighed the silver whether it was stamp- or not, the stamp on the coin having no significance.

The names of our coins are traceable to the time when precious metal passed by weight, before coining and stamping existed. The Shekel of the ancient Hebrew was a weight. The livre of France, the pound sterling of England, were all significant weights.

The pound sterling comes from the time when the £ was a pound weight (12 oz.) of silver—troy weight.

20 penny worth: 1 oz.

12 oz—£1— 240 penny— 480 cents.

When gold was introduced the same ratio of gold to silver was called a £1. the pound sterling has been reduced in weight so that 20 shillings is but 5/18 of a pound weight.

The sovereign equals 123.27 grains 11/12 fine,or 113 grains pure gold.

The dollar equals 25.8 grains 9/10 fine or 23.22 pure gold which equals $4.866. to the £1.

Dollar and sovereign's relative value is based on the amount of gold in them. One ounce of gold at the U. S. A. mint is worth $18.60; the price paid in Britain is £3 17/— 10½.

Of course the market price today is higher, but I will explain this when dealing with prices.

The Bank of England pays individuals £3 17/— 9 keeping the 1½ pence for interest, and the Bank Act of 1844 requires the Bank to receive gold at that price.

The introduction of so much paper money in England not only forced non payment in gold but also lowered the silver standard of the small coins with alloy metals, as they would be melted and sold, as silver had a higher market price, than that of the coin long maintained. Knowledge of money being greater than in previous years led the governments to suspend payment in gold. The season for this suspension was because they were unable to meet the demand.

Sir Thomas White in the Montreal Gazette of March 5th, 1921 told of the Toronto case where a demand was made for half a million in gold from a bank in Toronto, and to save a panic the Government was forced to suspend payment in gold.

The Canadian law compelled 25% of gold to back the first $30,000,000 paper above this gold, equal to the excess.

Before the war $113,000,000 in paper.

Before the war $90,000,000 in gold.

The people need so little for small change the full amount is never demanded, and while the gold demand has been suspended, the law now allows only 25% gold up to 50 million instead of 30 million as before the war.

In 1919 there were 298 million dollars Dominion notes. 237 million dollars bank notes.

This great increase of currency had a great effect on prices, which I will deal with under prices.

When we go back to the 90's we have a great fight between the politicians of the gold standard and the bimetalists. Governments endeavoured to force the taking of both metals as legal payment.

I think a short history of the failure of legislative law when it conflicts with economic law is pertinent here.

The first secretary of the Treasury of the U. S. A., Alexander Hamilton, because of the great variety of British and Spanish money circulating, inaugurated a gold and silver currency with the ratio of silver to gold 15 to 1.

He fixed this as most close to the value of the two metals at that time, but no gold was taken to the mint because of the inaccuracy of Hamilton's ratio. When his mint was built the ratio of silver to gold was lower, and it was more profitable to take gold and purchase silver on the market, and get the silver minted. A dealer with one pound weight of gold could get it minted approximately into 250 dollars.

If he exchanged his gold for silver on the market, and if the exchange be 15½ silver to 1 of gold, by taking this silver to the mint he coined 260 dollars in silver which had the same face value as gold, which meant 10 dollars more than if he took his gold to the mint.

Then again the Spanish West Indies and American dollars were legal tender in both countries. The West Indies dollar was heavier than the U.S.A. dollar and the merchants were exchanging U. S. A. dollars for the West Indies dollars, melting them and having them minted in U. S. A., receiving more dollars. Gold was driven out of circulation and silver was the circulating money because the ratio of gold was under-rated by the Act of 1792.

When this was discovered President Jefferson suspended the coinage of silver in 1806.

In 1834 the ratio declared was 16 silver to 1 of gold.

This act overvalued gold, and silver became worth more as bullion, therefor the act of 1792 drove gold out of circulation, while the act of 1831 drove silver out of circulation for a similar reason. It was 40 years after before the market ratio reached the fixed mint ratio.

In 1860 $1,000 dollars in coin was worth $1045 dollars as bullion.