Gold as the Money Commodity.

IN examining the silver situation we saw that during the middle ages, when the exchange of commodities was largely confined to local markets, and even here not developed to any great extent, silver was the commodity chosen to measure the values of all articles exchanged. While performing this function satisfactorily at the time, its deficiencies soon became apparent when a world market, embracing six continents, replaced the circumscribed area of Western Europe.

For a period of four or five centuries in the latter part of the feudal system the increasing trade, combined with increasing prices, made imperative the use of gold, along with silver, as a money unit for facilitating business transactions. The immovable impediments in the way of a system of bi-metallism we have already noticed.

During the past century most of the capitalistically developed nations have made a change to the gold basis. India and China are practically all that remain of the silver using world. In the "gold standard" countries, however, silver still functions as a sort of a subsidiary currency. It cannot be regarded as standard money because of the fact that its exchange value is not solely dependent upon its intrinsic or metallic value. The stamp on a silver dollar is not a guarantee that the bullion obtained by melting five of them is equal in value to that contained in a five dollar gold piece. The stamp merely indicates the quantity of fine metal.

On the other hand the silver used in modern currency systems is in a very different category to that of paper, or even copper. While its metallic value may at times fluctuate far below its legal value, still, unlike paper and the cheaper metals, it is not impossible for the silver coin to possess even greater intrinsic worth than the stamp specifies. When England adopted the gold standard in 1816, the silver coins were reduced in weight by six per cent., and thereby became token money. During the low price era for silver in 1915, the metal contained in a silver dollar was worth scarcely a third of its nominal value. Last December when silver bullion reached the high water mark of $1.37 per ounce, the dollar was worth about eight cents more than its face value and consequently thousands of the new coins were melted and disposed of in a more profitable manner.

This sudden and enormous increase in the price of silver caused much anxiety on the part of the financial experts throughout the world. Austen Chamberlain, England's Chancellor of the Exchequer, introduced a bill into the House of Commons having for its object the reduction of the fineness of Imperial silver coinage from .925 pure silver to .500. It was pointed out that were it not illegal, and punishable by a severe penalty, to do so, it was now profitable to melt silver coins and sell or export the bullion. By English law the export of coin has long been prohibited, while a heavy penalty has been inflicted or threatened in the case of melting.

But as long as silver is worth more when melted and sold as bullion than as legal tender then, obviously, a premium is placed on the commission of a crime in the melting of the coin. The only remedy in sight was to restore the token character of the silver coin by adding a larger portion of some baser metal.

One of the great obstacles in the way which prevents so many from realizing the importance of a money standard is found in the fact that only a small part of the world's trading is accomplished through the medium of money. Did every transaction where two articles are exchanged involve the use of an amount of gold equal in value to the things exchanged, there would be little difficulty in seeing the significance and import of the money sytsem. But such is far from being the case.

When primitive tribes arrived at a certain stage in their development the old system of barter became too clumsy and cumbersome to expedite the transfer of values, so trading in kind was gradually replaced by the use of money. Today, regardless of the fact that dozens of commodities, chosen on account of their natural attributes and adaptability, have, in turn, been introduced and maintained as the exchange medium, we find that even the one possessing the highest qualifications—gold—has become too awkward, and deficient in portability, to answer the requirements, and, still being moved by the thought of convenience, various credit representations, supposed to be valued in terms of gold, have been adopted.

While no other commodity begins to compare with gold, so far as those characteristics indispensable to a form of currency are concerned, still it is quite obvious that at both ends of the pole, where large international transactions are involved, or where petty exchanges are necessary, even gold itself ceases to adequately function. Continuous shipments of bullion have had to be stopped in the interests of trade, while it has not been regarded as feasible to mint gold coins of one dollar or under because of their diminutive size, and consequent likelihood of being lost.

In the western sections of the United States, up to recent times, gold coins have been quite conspicuous in the channels of circulation. War conditions, however, made necessary the withdrawing of gold for other purposes. In conjunction with silver, gold serves as the "universal medium of payment, as the universal means of purchasing, and as the universally recognized embodiment of all wealth." (Marx). During periods when peaceful relations prevail between the commercial interests of the capitalized world, this double measure of value is not so pronounced. When war threatens, and the normal conditions of trade are disturbed, the universal nature of gold and silver as a means of purchasing, and recognizing embodiment of wealth, is strongly emphasized.

At the outbreak of the recent war, every country taking part in international trade placed an embargo upon the export of gold, and made frenzied attempts to gather into the financial vaults all available supplies of the precious metals. The banks and fiscal experts are well aware of the fact that finance has long since ceased to be a national affair, and that the monetary condition of each country is interwoven with that of the whole civilized world.

Under such circumstances, it is of the highest importance that any contestant for a position in the world market should have a supply of gold and silver bullion, for the purpose of supporting the immense credit structures that had to be erected in order that martial victory might appear reasonably certain. England, Germany, France and Russia eagerly battled for financial supremacy, and, as the holdings of their great state institutions increased, the amount of gold in the conduits of circulation was reduced to the vanishing point.

With the removal of gold some other means must be introduced to make possible the transfer of use values. Silver and copper tokens served where small purchases were made. Credit instruments had long been used in large transactions. These latter must now find their way into the position left vacant by the withdrawal of gold. Checks, drafts, notes, bills, etc., soon became the dominant currency. These connote an ability to pay the face value in gold. Most of the governments concerned engaged in the issuing of engraved scraps of paper stamped with certain figures, and although these were compulsorily circulated, and made legal tender, they could not be redeemed in real money for the simple reason that there was nothing tangible behind them.

So long as sufficient stores of metal exist in government treasuries, or bank vaults, to cover the paper circulated, all is well. In the matter of convenience the paper currency is preferable to gold. It is more portable, and is not subject to loss through wear and tear. The buying public have no desire to carry coin and, naturally prefer to do business by means of bank checks and drafts. But different altogether is the case when the gold cover is no longer equivalent to the paper in circulation. When notes are issued in excess of the metallic store behind them the buying power of the notes decreases, anl the inevitable result is an inflated currency.

During the Civil War period in the U. S. we can find an illustration of the difference between economic laws and legislative enactments, when it comes to determining the value of a medium of exchange. A bill was introduced in 1862 for the purpose of making government notes legal tender. Many of the legal luminaries of the day advanced the old cry of "unconstitutional," but in spite of opposition the bill became law. When the "green back" left the press it was understood all around that they would circulate at par with the gold dollar, containing 25.8 grains of gold 9/10 fine. Within twelve months after the law was passed a paper dollar was worth only a little more than 50 cents in gold coin. Just as in the case of Bryan's 16 to 1 plank, legislative fiat may determine the nomenclature of money, but it cannot determine its purchasing power.

As Marx has pointed out, paper money can take the place of gold only to the extent that it represents an amount of gold that would actually circulate if not replaced by paper ,or other symbols. If twice as much paper is shoved into circulation as there is gold or silver back of it, then the prices of all commodities bought and sold will reflect this inflation ,and values that were previously expressed by the price of one dollar would now be expressed by the price of two dollars. No hocus-pocus stunts of frenzied financiers, or cheap politicians, can override, or circumvent, the law of value. Their flimsy attempts are soon exposed in the marts of exchange.

The inflation of the currency is more pronounced at present than ever before. At the beginning of hostilities the gold reserve of practically all the European countries was at the high water mark. They had busily prepared in a financial way for years in anticipation of the rape of Belgium, and the strangulation of Serbia. However, these reserves were soon dissipated. The war credits, in all of the belligerent countries, greatly exceeded the cover in gold which spelled safety. The result is wide world inflation. The increases of paper currency over gold security have been so enormous that the whole financial structure is trembling, and presents a problem of startling gravity to our Napoleons of finance. Speculation is rife as to what the solution will be. The adoption of a standard other than gold for the world's financial operations, has been advocated of late. But this in no way solves the problem. It only leaves it more complicated.

As for the gold standard, it has almost left us. Its rehabilitation is being attempted. The methods adopted by the agents of a dying system are interesting to say the least. As "Geordie" puts it—"The currencies of practically all civilized countries are no longer on a gold basis, and the value of money, so to speak, is now a mere matter of quantity in circulation."

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ECONOMIC CAUSES OF WAR.

(Continued from page 2.)

Shansi and Syerhwan have been estimated by the Austrian Consul, who resided there in 1913, to be greater in extent and productiveness than any other in the world. This lying at the door of Japan, who has entered the field of Imperialism and put down the Koreans, who claimed independence, with atrocities far worse than those in Europe, is another proof that the war was not fought for honor or independence of nationalities. Japanese labor conditions are similar to those in China, with women and child labor and very long hours, and with Labor Movements kept down.

What a glorious ally for democracy, and yet, Socialists are looked upon as materialists, because they point out the economic forces which underlie the superficial platitudes portrayed before the people, when a war breaks out as a result of these economic forces.

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