

The Money Question.

AT the present time the money question is well to the front in every corner of the world where modern commercial methods prevail. In Europe the agricultural classes in particular are deeply interested in it, while to our brethren over the way it is likely to be even more absorbing in the future than it has been in the past. Those phases of the question which are now most prominent in the United States are sure, somewhat later, to be interesting to us. We are not much given to the development of original fads in this country, but we are wonderfully loyal to the numerous specimens which we borrow, especially to those which we borrow from our friends, the Americans. Our government, it is true, with a prudent discrimination, which we need not scrutinize too closely, is careful to deny the Americans any credit for our seasons of prosperity, these being government measures, but it is equally careful to point out that our commercial depressions are largely, if not wholly, due to them, and that they are thus practically responsible for our deficits. Even, then, if we are compelled to admit that we are protected only from the good and not from the evil influences of our neighbours, it behoves us to know something of the monetary problems which they have to face, and which may develop evil tendencies which we cannot escape.

We have reasons of our own, however, for being interested in this question. Our monetary system, sound as it appears, and serviceable as it certainly is, yet rests upon a very narrow and delicate foundation. From its intimate connection with the government, a very little legislative blundering is capable of landing us in a very awkward plight on short notice. Moreover, our government, following the American example at a respectful distance, has carefully taught the people to believe that all prosperity comes from itself and is introduced by legislative enactment. Many of the people, therefore, and by no means the most ignorant, wish to know why the government cannot complete the function of special providence, and not only give them the prosperity, but, along with it, the cash to circulate it, and cause it to flow freely to all classes; for often its flow appears to be scandalously impeded by those who have command of the money. Or, taking another tack, they wish to know why, if it is right for the government to issue say \$20,000,000 in notes and employ nearly all of that sum in paying its debts, it is not equally right to pay all its debts in the same way, instead of borrowing an equivalent amount of money abroad. The borrowed money demands a ruinous amount of interest to be paid yearly, besides requiring provision for sinking funds, these needs commonly requiring further borrowings and involving for the more contemplative a certain fearful looking forward to of judgment. Nor are these questions so easily answered to the satisfaction of the average voter, while if they should become the basis of a party cry they would never afterward get a chance to be rationally answered. What a paradise for the demagogues were the national policy either supplemented or opposed by another panacea on such lines as these! What oriental visions of wealth and luxury could not rise before the gaping electors by rubbing that lamp in the right place! Perhaps, then, the more fully the question is ventilated, while it is still without the court of party politics, the better for the truth and for the peace of mind of those indulging in the discussion.

As usual in intricate questions having a practical bearing, it is impossible to treat adequately and intelligently of the burning end of the question without more or less preliminary discussion regarding the less prominent but more fundamental ideas which are involved.

An intelligent understanding of the money question would seem to require some clearness of vision with regard to these questions:

- (1) What is the general nature and function of money?
- (2) What is the nature and special function of the monetary standard?
- (3) What metal, or combination of metals, or other forms of wealth, is practically best fitted to form that standard?

These questions will be briefly treated in the present and two following papers.

It is commonly said that the great function of money is to facilitate the exchange of goods and services. This is true so far as it goes, though not everyone knows how far it goes

or what direction it takes in going. But money acts also as the great adjuster of goods to needs and needs to goods. In most cases when people complain of the stringency of money and of the low prices at which things have to be sold, they are resenting the exercise of this regulative function of money in putting a check upon the over supply, under existing circumstances, of certain lines of goods and services. So complex and hidden are the forces working behind this regulative function that they pass for the most part unrecognized, and the money system alone seems to be at fault. The policeman, and not the powers that command him, is commonly favoured with the eggs, the bricks and the execrations of the mob which he is restraining.

A man works day by day in a boot and shoe factory, performing, with the machines and material supplied, one only of the forty or more operations connected with the making of a pair of boots. At the end of his week he gets a certain sum of money and with it he purchases a number of miscellaneous articles drawn from the four corners of the earth. Yet all these articles are, in the long run, to be made good, through some chain or net work of links few or numerous, out of his fragmentary contribution to the making of certain boots. Our boot maker has not the faintest idea of who are to wear the boots he helps to make; still less, if it were possible, does he know who are to provide him with the various articles he needs. Neither does his employer nor the storekeeper know more than a link or two before or after his own link. In fact no one knows all the links in any single net which connects what a given man does with what he gets for it. What enables the world to dispense with this knowledge? Not the mere exchange function of money; that merely enables the exchanges to be made. It does not enable one to know how many boots and shoes are needed, how many are busy making them, and how many each is making. It does not enable us to know whether anyone is getting our tea and bread and sugar ready for us or whether there will be enough to go round. It is the regulative function of money which does that, and it does it by increase of price when more goods are needed in a particular line, or when more goods are wanted in a particular place, and by decrease of price when the reverse is the situation. These two functions of money, though so closely related, are very distinct in kind. Failure to distinguish them gives rise to endless confusion, and, as I expect to show, is largely accountable for many of the bimetallic fallacies. This important distinction may be illustrated very well by reference to the double function of a hand or belt fly-wheel attached to an engine. A fly-wheel which carries a belt discharges two separate functions; it transmits force from the engine to the machine, and it regulates the speed of both engine and machine. The use of the fly-wheel in transmitting force corresponds to the exchange function of money in distributing goods, while the regulative function of the fly-wheel illustrates the regulative function of money in adjusting supply and demand. At one time the fly-wheel is a regulator and the belt-wheel as a transmitter were usually separate and distinct wheels. So also, at one time, the exchange function of money was almost its only function, while supply and demand—the making of things and the using of them—were adjusted by special agreement between makers and users, commerce being local and the links in exchange few and simple. The combined system, however, is the more compact and perfect in each case, and especially in the case of money where the development has been greatest. Money, then, in its exchange use, gives the holder of it potential command not only over the whole commercial world, to the extent of his money, and actual command but over that particular part of it in which he invests. Money, in its regular use, in the rise of all, of prices relatively to the cost of production, indicates to those who watch the markets where to buy and where to sell. It induces people to go to certain places and to make certain things or render certain services. If, however, people do not understand the warning, or do not heed it, and persist in continuing or increasing their production of certain articles, such as wheat in Canada at present, or iron in Ontario, when they find that they cannot be sold at a profit they are not likely to better things by abusing the money system of the country, the bankers, the capitalists, or people in more successful occupations. If, going to extremes, they lay violent hands on the money system and endeavour to forcibly twist it into harmony with their economic methods