

the same time many millions of men were taken away from the work of producing necessary commodities, and a great destruction of all kinds of existing goods and property began, and furthermore many other producers were obliged to bend all their efforts to the making of guns and munitions, warships, and other things, which were of no use to the average man, instead of creating things that the average man wanted.

The following situation then ensued: An immense increase in the volume of money and an immense decrease in the existence and production of useful commodities. The amount of money has increased whilst the supply of goods has decreased.

The inevitable result was an appreciation in the value of commodities and an equal depreciation in the value of money. As a result prices have much more than doubled throughout the world and they must continue inevitably to advance so long as these conditions continue, no matter what Governments may do in the way of price fixing. On the other hand when, following the war, this artificial war money begins to be called in, and the production of useful commodities again begins to increase, there will also begin a reduction in the prices of commodities as valued in money, i.e. sooner or later there will come a reverse movement, an appreciation of money and a depreciation in commodities, showing itself in a steady fall of prices, and the process of readjustment is going to be long drawn out, trying, and full of difficulty. It is important that before this time arrives there should be a clear grasp of the main principles involved, on the part of all responsible people.

It will be recognised from a consideration of the subject that money

is mainly a means for conveniently exchanging other goods. A dollar is a token representing a claim on personal services and on products, and this is what gives the dollar its value. To the ordinary human being a five dollar bill, or even the \$5 gold piece for which it stands, is of no earthly value in itself. Its value lies solely in the *goods* that it represents, i.e., in its exchange value. A man be wealthy, may be a Capitalist, without having more than a few dollars of actual money. It is well to bear this fact in mind. Suppose flour is ten dollars a barrel and you need ten barrels to see you and your family through the winter. You have \$100 cash and you can buy your ten barrels. But suppose you neglect to do so, and wake up a week later to find that flour has doubled in price and costs \$20 a barrel. You can only now buy 5 barrels. You have the same amount of money, \$100. You are to all appearance worth as much as you were before, but as a matter of fact you are a much poorer man. Why? Because real wealth is not money at all, but goods and property.

It is most important to an understanding of the Industrial World of to-day that this primary fact shall be clearly understood. The solution of the problems of the State, of Labour and of Capital are largely dependent upon it.

And I come now to the question, What is Capital? When we speak of Labour and Capital what do we mean by Capital? One thing I hope is fairly clear, and it is that in a strict sense money is in itself not real Capital. Money is simply a token representing value,—goods, property and services,—for which it may be exchanged. If there was nothing else in the world to-day except men and money in the shape of coins and bank notes—no buildings and no goods—there would be in