THE UNIT OF VALUE IN ALL TRADE.

The *Engineering Magazine* for August contains an able article by Mr. Edward Atkinson dealing with the unit of value and the mechanism of banking or exchange, of which we give the principal points "Modern trade and commerceconist is an exchange of services or of products for mutual gain or benefit. Very few men now consume any great part of their own product. Division of labor exists because a more abundant supply of goods can be made when each nation, each section, each state, each community, and, finally, each man or woman, works upon a special product to which climate, soil, conditions, and special personal skill or aptitude are most fully adapted. Each then produces more goods of one kind then each can consume. This makes *supply.* Each then wants some part of the product of many neighbors. That makes *demand.* All men are neighbors; all states and nations are interdependent. The science of the engineer has converted distance into a mere fraction of a cent a ton per mile. The day's work of a mechanic upon the seaboard covers the cost of moving his year's supply of bread and meat a thousand miles. The western farm a thousand miles or more away is next door to the eastern workshop, and it often costs an eastern workman more to move a barrel of flour to his house from the railway station to which it has been brought than it did to get it to the station from the far-away western farm. This year eleven to twelve tons of food, fuel, fibre or fabric will be moved 112 miles over the railways of this country for every man, woman and child in it. The cost of this service to each one will be $10 or a little more. Each year for many years the quantity has increased greatly, and the distance but little, while the price of the service has diminished. If a pair of horses in steady work for 300 days in the year could move two tons sixteen miles a day, then it would take seven pairs of horses for each fifty persons to do the work of the railways at twelve tons, 112 miles each. That would require the work of over 18,000,000 horses to provide the people of this country with the food, fuel, fibres and fabrics now moved for them by the railways of the United states at a charge of $10 each, or a fraction more.

The distance is measured in miles—the price of the service is measured in dollars. What is a dollar? It is a coin made either of gold or of silver. A coin is a piece of silver or gold made in the shape of a flat disk and stamped by the government in order to certify its weight and quality. The silver dollar weighs 412½ grains,—nine-tenths pure silver, one-tenth alloy. The gold dollar weighs 25 8-10 grains—nine-tenths pure gold, one-tenth alloy. The grain is the common unit of weight; which dollar is the unit of value? The answer is in the law of the land. The statutes of the United States provide that the gold dollar is the unit of value. There can be but one unit." * * * * * *

The international commerce of the world consists of sales and purchases made by individuals in each country. When a sale of goods is made, the vendor buys the money. When a purchase is made, the vendee sells money. The specific kind of money in each State, country or nation may be legal-tender paper money or promises to pay, legal-tender silver money or legal-tender gold money. But when the remittance is to be made from one country to another, each kind of money must be converted into that kind which passes current the world over without any act of legal-tender.

There is but one kind of money which meets this condition, and that is money made of gold, or gold itself. It follows that, without acts of legal-tender, or in spite of them, without legislation or in spite of it, without international agreement, but by a process of natural selection, a given weight of gold has become the standard or unit of value in the world's commerce. It matters not whether the gold is made into coin or not; coins are estimated or valued or may be exchanged one for another only at the ratio of pure gold in each one. Certified gold bars or ingots serve the same purpose in making international remittances, and are often preferred. The higher law of commerce, laid deep in human nature, has established gold and gold only as the unit or standard of value. This fact must be recognized in all monetary legislation in every state or nation that takes part in international commerce, and its own unit of value must be adjusted to this fact and to this condition. "It is a condition and not a theory." The welfare and prosperity of this country depend in great measure upon the recognition of this condition, because we produce more food than we can consume, more fibres than we can spin, more oil than we can burn, and we are tending to produce more iron than we can use.

15 to 20 p. c. of the product of our farms is exported varying year by year with the supply and demand. Under these conditions it is necessary for us to maintain our present unit of value, the dollar made of gold, because all our exports are valued at the standard of gold, especially because our largest customer is Great Britain, where the standard or mint of value is the pound sterling. In 1892 our total exports were valued at a little over $1,000,000,000, of which Great Britain bought in value over $500,000,000.

The coin which corresponds to a pound sterling, when of full weight, is named a "sovereign," weighing 123 270 grains, 11-12 fine, and containing 113.0016 grains of pure gold. The unit of value of the United States is therefore 23.21997 grains of pure gold. The unit of value of Great Britain is therefore 113.C016 grains of pure gold. The ratio of one dollar to one sovereign is 1 to 4.866. The ratio of each grain of gold in either in 1 to 1. This valuation or estimation cannot be changed by statute, treaty or agreement. The effort of the advocates of a bimetallic treaty of legal-tender and of the advocates of the free coinage of silver dollars of full legal-tender is to alter these facts and conditions by legislation. An act of legal-tender works by force. Under an act of legal-tender the effort is made to force a seller of goods to accept a kind of money which may or may not contain the elements of its own value in its own substance. Gold is worth as much—that is to say, is valued as highly—after it is melted as it is in the coin. Silver dollars will not buy as much in the world's markets after they are melted as they purport to be worth in the coin. They circulate in our own country at a parity only because they can be converted into gold at their nominal and not at their true ratio.

The ratio of weight is one grain of gold in a gold dollar to sixteen grains of silver in a silver dollar, but the gold in a gold dollar will now buy nearly twice as many grains of silver in bullion as are to be found in the silver dollar. What shall be our permanent unit of value? There can be but one; the very name is single. It is not possible to think of two units or of duality in a unit."

Mr. Atkinson next speaks of the silver craze as a rebellion against common sense and clearly shows that the silver dollar is not a unit of value. He also shows that the great volume of exchanges is conducted by the issue of bills of exchange or drafts, sometimes on demand, often draws payable at a future date. These drafts or notes promising deferred payment are the representative or symbol of the products passing from the producer to the consumer. These instruments of exchange or titles to money are the subjects of discount and are dealt in by banks and bankers. It will also be observed that a very small part of the traffic of the country is conducted by the use of bank notes, government notes, or coin. Very little gold coin is ever seen in circulation, its true place is in the bank reserves as a basis of credit. At times there is a pressure upon the reserve. When this occurs within or among the banks themselves, relief has been found in the issue of Clearing House certificates. What occurs is this: While some banks have large reserves of lawful money, more then they need to sustain their own daily obligations, others have ample resources falling due at a later date, but not at once available. Then the banks combine. Each bank needing aid to meet its daily obligations places in the hands of a committee its securities of undoubted character available or payable at a future date; upon these securities the clearing house certificates are issued at the ratio of seventy-five per cent. of the value of the securities pledged by each bank under the guarantee of all the combined banks in the association. These certificates pass as money in the settlement of bank balances; they are held to the standard of redemption in lawful money; the gold itself is not wanted in any of these transactions; what is required is an instrument of credit tied to the standard of redemption in gold and backed by the reserves of all the banks combined in that association. If the draft on reserves becomes general and a semi-panic ensues, the emergency is met by the combined banks each supporting the other. If it goes so far as to reduce or imperil the joint reserve, then the credit extended by the banks to the community is cut down, trade suffers, buyers and sellers are kept apart merely because the mechanism of exchange is disordered, as it is now. At the present time the country is full of the elements of wealth and welfare; real capital is abundant; labor has been fully employed at the highest rate of wages. The world needs all that we have to spare. Only the mechanism of exchange is disturbed by distrust."